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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2402



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SURVEY OF ECONOMIC-TECHNICAL COOPERATION WITH CUBA

Sofia VUNSHNA TURGOVIYA in Bulgarian No 1, 1983 pp 12-16

[Article by Georgi Marinov, candidate of economic sciences: "General Trends in Economic, Scientific and Technical Cooperation between Bulgaria and Cuba"; passages enclosed in slantlines printed in boldface]

[Text] Economic relations between the Bulgarian People's Republic and Cuba began immediately after the victory of the Cuban revolution and have expanded in scope with each passing year. The basic economic precondition for the dynamic development of reciprocal cooperation is the fact that socialist production relations prevail in both countries and they belong to the most stably developing region in the world--CEMA. As CEMA-member countries, both countries can take advantage more fully and purposefully of the international socialist division of labor and can combine bilateral with multilateral forms of cooperation, thus heightening the effectiveness of reciprocal economic relations. Socialist integration is a very important external factor stimulating the development of bilateral economic ties.

An especially effective factor and stimulus in the development of reciprocal economic relations is the favorable influence of the level attained in bilateral contacts. The leading positions that the Bulgarian People's Republic holds in Cuba's foreign trade and foreign economic relations are a concrete expression of this irreversible process. As a whole, there is a trend towards a steady adaptation of goods, products, services and activities to reciprocal requirements and needs. The gradual transition towards cooperation directly in the economic sphere attests to a qualitatively new stage in economic relations.

The meetings at the highest level between the party and state leaders of the two countries have had a beneficial and guiding influence on the development of bilateral economic relations. At these meetings, fundamental decisions were taken regarding the long-term development of economic, scientific and technical cooperation between the Bulgarian People's Republic and Cuba.

Development of Reciprocal Trade

Bulgaria's third-ranking position in Cuba's trade with CEMA-member countries is firmly established. This fact attests to a comparatively dynamic and stable development of economic relations during the past decade.

Reciprocal trade quadrupled during the period from 1971 to 1980. From 64.2 million foreign-exchange leva in 1970, it went as high as 352.9 million foreign-exchange leva in 1981 (see table). The average annual growth during this period was 15.4 percent as against a 14.4 percent growth in Bulgaria's total trade and a 13.7 percent growth in Cuba's.<sup>1</sup>

DEVELOPMENT OF BULGARIA'S TRADE WITH CUBA  
(in 000,000 foreign-exchange leva)

Year	Trade	Exports	Imports
1960	0.6	0.6	0.0
1965	45.5	19.2	26.3
1970	64.2	27.7	36.5
1975	200.8	109.1	91.7
1980	268.8	155.4	113.4
1981	352.9	174.9	178.0

Source: "Vunshna Turgoviya na NRB. Statisticheski Danni" [Foreign Trade of the Bulgarian People's Republic: Statistical Data], Sofia, 1982, pp 31, 33.

As far as the structure of reciprocal trade is concerned, relative stability has been observable during the past 20 years. About one-third of the exports to Cuba are machinery and equipment; one-third raw materials, metals, chemicals, industrial consumer goods; and one-third foodstuffs and raw materials for their production. About 98 percent of the imports are raw materials for the production of food, wine and tobacco products, mainly raw sugar.

Machinery and equipment in our exports have shown a tendency to increase. The share of total exports to Cuba falling to package plants has demonstrated a positive tendency to increase, as has also the share falling to package plants within the confines of this group. Thus, for example, during the period from 1971 to 1980 Cuba was third or fourth in our total exports of package plants, and second or third in our exports of package plants to CEMA-member countries.<sup>2</sup>

Several types of machinery and equipment also stand out in the machinery group, which indicates a lasting adaptation of our machine-building output to Cuba's needs. This statement applies primarily to metal-cutting and woodworking machinery, material-handling and refrigeration equipment etc. This machinery and equipment also has the greatest share of Bulgarian exports of machine-building output to Cuba. The structure of reciprocal trade as a whole, and of machinery and equipment in particular, will increasingly become more dynamic and be improved on the basis of specialization and subcontracting of production. Work is already under way on these questions in a long-term plan.

In recent years the significance of metals and chemicals in our exports has grown. In this group, commodity items such as the following have won a firm position: ferrous rolled products, soda ash, zinc, carbamide, ammonium citrate, nitrogen fertilizers, polyethylene, motor vehicle tires etc. A wide list

(over 100 types) of Bulgarian exports of chemicals assumes further expansion of the trade in such commodities. On the other hand, there are growing capabilities in the Cuban paper and pulp industry where at present large-scale production capacities are being built that will operate on the basis of raw materials specific to Cuba--byproducts of cane-sugar production. The production of pulp, paper and cardboard, and a number of chemicals etc. is anticipated.

Trade in consumer goods is becoming more and more diversified. Products of the pharmaceutical and knitwear industry are a stable item in exports to Cuba. In this area there are serious possibilities of an expansion of reciprocal trade, mainly along the line of cooperation in the area of internal trade.

For its part, a stable trend is emerging for Bulgaria to satisfy a certain portion of its import needs of raw sugar, fresh and processed citrus fruits, some other tropical fruits, semifinished products and other articles. In the long run products of the machine-building, electronics and chemical industries will also figure in the imports from Cuba.

As a whole, it can be said that in the process of economic cooperation thus far a comparatively stable adaptation of a number of Bulgarian commodities and products to Cuban needs and market requirements has been achieved. The same also holds true for some Cuban commodities that the Bulgarian People's Republic imports. We can tell this not solely from the increase in Bulgaria's relative share of Cuba's foreign trade--from 2.3 percent in 1970 to 2.9 percent in 1980. Analysis of the structure of Cuban imports broken down by individual commodity items shows that Bulgaria satisfies a significant portion of Cuba's import needs of certain commodities. Thus, for example, in the 1970's Bulgaria came first or second in Cuban imports of metal-cutting machinery; second or third in the imports of accessories and spare parts for tractors, water pumps, agricultural implements and tools, canned meats; second in imports of animal fats; first or second in medicines etc. Also significant is the fact that the Bulgarian People's Republic is in leading positions also in Cuba's exports of its basic commodities--raw sugar and molasses.

Maintenance in the future of the dynamics and development of reciprocal trade will increasingly be based on the expansion and deepening of cooperation in the economic sphere and on the use of progressive forms of economic relations--specialization and subcontracting of production, joint construction of production capacities, joint scientific and technical research in areas that are the object of production cooperation etc.

#### Basic Trends in Cooperation and Integration between Bulgaria and Cuba in the Material Sphere

In conformity with the decisions of the 12th BCP Congress, Bulgaria has adopted a determined policy towards the intensive development of the national economy. The Second KKP [Communist Party of Cuba] Congress also set analogous tasks corresponding to the stage at which the development of the Cuban national economy finds itself, a stage characterized by acceleration of the industrialization process. In order for there to be economic cooperation between

the two countries in harmony with the new tasks, cooperation is focused more and more on the structure-determining sectors, which will also be the basis for the development of their national economic complexes under conditions of socialist integration. This requires the formulation of the goals and tasks of cooperation in a long-term plan that will be adequate to the new stages of economic development. Besides this, a transition to much closer coordination and harmonization of strategies and utilization of new, modern forms of production, scientific-and-technical and trade relations is becoming imperative. The complexity of the economic problems which both countries are solving requires a multiple approach to the problems of reciprocal cooperation not only from a conceptional, but also from a specific perspective. Only in this way can a rational division of labor be achieved in jointly chosen areas and sectors of the economy and stable integration relations be established in the long run.

/The agroindustrial sphere/ is a traditional area of cooperation between the Bulgarian People's Republic and Cuba. Rich experience and traditions have been built up in the construction of the infrastructure of agriculture, in the cultivation of vegetables and some tropical plants, in the mechanization of specific work processes etc. Also, active scientific research relations have been established between Bulgarian and Cuban scientific organizations. The Bulgarian People's Republic has participated actively in creating the material and technical base of Cuban agricultural machine building.

It should be emphasized that as a result of the multilateral agreements concluded within the CEMA framework for the accelerated development of Cuba's sugar industry and citrus production, a significant portion of the cooperation in the agroindustrial sphere is concentrated on the fulfillment of these programs.

In accordance with the first General Agreement (35th meeting of the 1981 CEMA Session in Sofia), Cuba became the basic supplier of raw sugar to CEMA-member countries, including the Bulgarian People's Republic.<sup>3</sup> This means that a significant portion of our country's sugar needs will be met in future by Cuban deliveries. Bulgaria's contribution to the realization of the program for the accelerated development of Cuba's sugar industry takes the form of delivering pumping stations and three package warehouses, each with a capacity of 32,000 cubic meters. In addition, the Bulgarian People's Republic will assist with specialists in building the above-referenced capacities and will participate in scientific and technical research relating to Cuba's cane sugar production.

According to the program for the comprehensive development of citrus fruit production, the Bulgarian People's Republic will also participate by supplying pumping stations and a cold storage plant with a capacity of 48,000 cubic meters. For this purpose, at the Sofia CEMA Session (1981) bilateral agreements were signed, both for sugar and for this program respectively, that translated into concrete terms the implementation of the general agreements.

In addition to cooperation on a multilateral basis, cooperation in the agroindustrial sphere will also evolve in a number of other directions that are already traditional in bilateral economic relations. Well-established areas of this kind are, for example, the organization and fixing of labor standards



in agriculture, tobacco production, the mechanization of basic agricultural processes, water conservancy, agricultural chemistry etc.<sup>4</sup>

There are significant reserves and potentialities for the expansion of cooperation above all in the sectors of the agroindustrial sphere where the tools of labor are produced. Certain preconditions for this have already been created in the person of the "Heroes of 26 July" and the "V. Levski" machine-building combines, constructed with the technical and financial assistance of the Bulgarian People's Republic.

Both the Bulgarian People's Republic and Cuba have rich traditions in the food, wine and tobacco industry. Therefore it will be natural for the present relations in this area by way of trade and the supplying of Bulgarian package plants to develop into purposeful cooperation primarily by way of specialization and cooperative effort in the production of new technologies for the canning, sugar, meat, tobacco and other branches of the food, wine and tobacco industry. The possibilities of making a joint appearance in third countries must be taken into consideration in this area, too. Considering the fruitful cooperation within the framework of the Bulgarian-Cuban joint office in the area of agricultural equipment and the close approximation of its activity to the needs of production practice, we should assess the advisability of setting up such an office with analogous functions in the production of equipment and flow lines for the food, wine and tobacco industry.

In recent years preconditions also began to come into being for the establishment of production relations in a number of sectors of the national economy which are of structure-determining significance for the development of the national economic complexes of Bulgaria and Cuba.

In the /machine-building/ area the orientation is primarily towards /the building of material-handling machinery/.

The production capabilities of the Bulgarian People's Republic and the comparatively high degree of adaptation of certain basic types of Bulgarian material-handling machinery to the conditions and growing needs of Cuba, as well as the orientation it is developing in this branch of conveyor machine building, favor the development of production, scientific and technical, and trade cooperation in this area. In implementation is a General Agreement on industrial cooperation and a joint effort in the production and assembly of battery-operated trucks that provides for the startup of battery-operated truck production in Cuba on the basis of specialization and a cooperative effort with the Bulgarian People's Republic.

Another area where work is already under way and long-term cooperation is emerging is the production of /metal-cutting machinery and hydraulics products/. The Bulgarian People's Republic is Cuba's principal supplier of metal-cutting machinery of conventional make. Cuba's needs of such machinery are constantly growing for this equipment is one of the main elements in the qualitative reorganization of machine building, which, as is known, is being strengthened in accordance with Cuban conceptions as a strategic sector in the

development of the country's national economic complex. Similar prospects are emerging in the area of hydraulics, too.

The tropical climate is responsible for Cuba's tremendous needs of /refrigeration and air-conditioning equipment/. Our country is a traditional importer of this type of equipment into Cuba in the form of package plants--cold storage plants and ice plants. The production of refrigeration and air-conditioning equipment is also shaping up as an important strategic sector in the development of its economy, in particular of machine building. Also promising are exports of refrigeration and air-conditioning equipment to CEMA-member countries and to countries in the tropical zone. To this must be added the activity of the Bulgarian-Cuban refrigeration engineering office with its headquarters in Havana, which for many years has contributed to fruitful joint scientific-research activity. All this furthers active production cooperation where the conclusion of an agreement on subcontracting and joint trading activity is advisable, too.

/In the electronics and electrical equipment industry/ the preconditions exist for the Bulgarian People's Republic and Cuba to solve jointly certain questions in the electronization of the national economy. Microelectronics is winning recognition as a strategic sector in the development not only of the Bulgarian, but also of the Cuban electronics industry. In recent years intensified work has been under way in Cuba also on the electronization of the national economy. The conception of building a Cuban facility, on an optimum scale for the country, to produce hardware for the Cuban so-called (SID) [expansion unknown] minicomputer system has won recognition. As a result of the cooperation established with the USSR,<sup>5</sup> SID-300 processors and the SID-7220 display for the reproduction of alphanumeric data have been widely introduced into production. These production processes as well as some others will constitute the Cuban specialization in electronic computer technology within the CEMA framework.

Between Bulgaria and Cuba possibilities and prospects exist for reciprocal incorporation of the minicomputer components produced in both countries and, on this basis, proceeding to a production specialization between the two countries, having regard for their participation in the CEMA uniform system of computer equipment. The newly established (in 1981) Bulgarian-Cuban engineering office for the application of electronic computer technology, with headquarters in Havana, should play an especially active role.

In the /electrical equipment industry/ there are prospects of cooperation by way of specialization and subcontracting in the production of a number of products, for example, water pumps, electric motors, conference instruments etc., as well as for the joint solution of complex problems in the tropicalization of electrical equipment products.

Between the two countries possibilities are also gradually emerging for including within the scope of cooperation new economic activities which are promising for their economic development and which will contribute to the solution of important problems of interest to both countries and to the entire integration community.

Such a finding may be made first and foremost for /the chemical and the paper and pulp industries/. In some areas a comparatively high degree of coordination has been reached on a number of problems, making it possible to proceed to higher forms of cooperation as, for example, in the production of raw materials for medicines, essential oils, preparations for animal husbandry etc.

In the chemical and paper and pulp industries the need still arises at this stage for closer coordination on the prospects for cooperation, especially in view of the fact that the bulk of Cuban production capacities in this area are yet to be built or are in the process of construction.

/In the mining and metallurgical industry/, as a result of a general agreement (1975), concluded on a multilateral basis within the CEMA framework, for the construction of new capacities in Cuba to produce nickel- and cobalt-containing output, this sector of cooperation is the most important at present, with Bulgaria to satisfy in the long run some of its import needs of nickel and cobalt.

In evaluating the prospects for the establishment of long-term and stable cooperation and integration in the mining and metallurgical industry, it is advisable for both countries to seek opportunities besides for Bulgaria's participation on a broad scale in Cuba's geological exploration program on a multilateral and bilateral basis, as well as for the active inclusion of our country in the working of the new deposits.

In the process of active participation in socialist integration, analogous prospects for the expansion of economic relations exist also in the area of power engineering, transportation, shipbuilding and other spheres of the economy.

/Scientific and technical cooperation and integration/ are also increasing in importance in bilateral economic relations.

Cooperation between the Bulgarian People's Republic and Cuba in the area of science and technical progress is evolving in three main directions: a) in areas which are already traditional for both countries or in which temporary needs are arising for the establishment of scientific and technical cooperation;<sup>6</sup> b) areas involving production cooperation; and c) areas included in the plan, adopted on a multilateral basis within the CEMA framework, for acceleration of the development of science and technology in the Republic of Cuba.

Bulgarian specialists are making their contribution to the solution of important national economic problems in dozens of sectors of the Cuban economy. Their group in Cuba is next in strength after that of the USSR.

Most promising directions for the development of scientific and technical cooperation and integration between the Bulgarian People's Republic and Cuba are those areas in the material sphere in which implementation of wide-scale production cooperation on a bilateral basis is envisaged, mainly by way of specialization and subcontracting. In this way a division of labor and a cooperative effort in science and technology will be rationally and efficiently

realized. Hitherto such a high degree of coordination was difficult to achieve since Cuba was solving its most urgent and partial scientific and technical problems. Including Cuba in the scientific and technical integration of the CEMA-member countries and determining the basic directions in the development of its science and technology will make it possible to achieve much greater coordination in the development of the scientific and technical potential of both countries.

Bulgaria's participation in strengthening Cuba's scientific research base in fulfillment of the plan for acceleration of the development of Cuba's science and technology is the strategic direction of scientific and technical cooperation.

#### FOOTNOTES

1. Calculated according to "Ekonomika Stran-Chlenov SEV" [Economies of CEMA-Member Countries], Moscow, 1982, p 126, and "Razvitiye Ekonomiki Stran-Chlenov SEV" [Development of the Economies of CEMA-Member Countries], Moscow, 1981, p 138; "Vunshna Turgoviya na NRB" [Foreign Trade of the Bulgarian People's Republic], Sofia, 1978, pp 26, 27.
2. Calculated according to "Statisticheski Godishnik na NRB" [Statistical Yearbook of the Bulgarian People's Republic], Sofia, 1981, p 378.
3. The Bulgarian People's Republic meets about 55 percent of its raw sugar needs through imports from Cuba.
4. For more details see the journal VUNSHNA TURGOVIYA [Foreign Trade], No 11, 1980, pp 4-5.
5. Work is actively under way in this area between the USSR and Cuba. About 1000 specialists in the field of electronic computer technology had been trained in the USSR up to 1981. In the present five-year plan the volume of Cuban deliveries of electronic computer equipment to the USSR will amount to 50 million rubles. As a result of cooperation, the possibilities of exporting such output to the capitalist countries will also be considered (the newspaper GRANMA, 27 May 1982).
6. For further details see the journal VUNSHNA TURGOVIYA, No 11, 1979, pp 15-16.
7. For more details see the decisions of the 18th session of the Committee on Scientific and Technical Cooperation.



IMPROVING FOREIGN TIES BY MORE EFFICIENT USE OF WAGE FUNDS VIEWED

Prague HOSPODARSKÉ NOVINY in Czech 1 Apr 83 p 4

[Article by Eng Emil Moravec, Federal Ministry of Labor and Social Affairs:  
"Rules Are for Everyone"]

[Text] The system for regulating wage funds must be assessed according to how it fulfills its economic function, i.e., how it affects promotion of efficiency in the process of economic renewal. From this viewpoint, the author of this article assesses the effectiveness of the current system, familiarizes the readers with measures that became valid as of 1983, informs them of simplifications in the system for branches of local production, services and housing economy and of regulating wage funds in an experiment that has as its objective improved effectiveness of foreign economic relations.

Regulating Wage Funds

The results attained in the national economy during 1981 and 1982 confirm the success of the efforts to orient the material interest of most economic organizations toward making production less material-intensive and toward economic management of fuels and energy. However, for the time being the system for regulating wage funds has not generated sufficient interest in more effective use of manpower. At the same time, organizations were able to use saved wage funds, to the degree they met the planned quotas with less manpower, fully toward increasing average wages, and not only at the stage of plan compilation but, as of 1982, also during its implementation.

Effectiveness of the Currently Valid System

Even during formulation of the system it became obvious that recordkeeping of the cost of materials does not facilitate monitoring of adjusted value added without unfinished production and stockpiles of semifinished and finished products, so that the adjusted value added does not reflect actual implementation--as the criterion of the social utility of labor performed in a specific organization. This creates the risk of undesirable increases in

unfinished production and stockpiles of finished products. This risk is to be eliminated by an indicator of the return on investment in production assets or production factors on which depends the extent of the incentive component of wage funds. However, the results attained to date show that the factor determining the level of return on investment is profit and not changes in the status of production factors and, within them, primarily of stockpiles.

In connection with the fact that the indicator of return on investment affects primarily attainment of higher profit, orientation of the material interest which it generates is the same as in the case of adjusted value added. Thus, dividing of wage funds into two components becomes problematic from the viewpoint of the orientation of the system of incentives. Its only justification is the varying progress of the dependence of both components on the results of management (progressive curtailment of the incentive component of wage funds).

The amount of the usable volume of wage funds is significantly affected by the items that can be added or deducted which are used to subsidize certain results of management, to cover special cases of increased need for wage funds and also to penalize for shortcomings in management. In the years 1981 and 1982, there persisted a difference between the extent of items that could be added for a high technical level of workmanship and quality of products as well as fashionable products and those of luxury-workmanship and deductible items for low technical level of workmanship and poor quality of products. The considerable imbalance between these items--those that could be added exceeded the deductible items by many times--results primarily from the fact that results of testing the technical level and quality of products and services do not reflect the true ratio between the amounts of products of a high technical level and quality. The extent of tested products is thus small and the level of testing is not fully satisfactory, because many technically advanced products or products included in the top-quality bracket do not prove to be sufficiently effective on foreign markets.

Development of wage funds is also subject to one-sided effects by the results of foreign exchange. That is to say, in case of favorable results the organization is entitled to lay claim to replenishment of the special compensations fund by resources from the export incentive fund, but in the case of unfavorable results achieved in foreign exchange their wage funds are not curtailed. The organization merely loses the possibility for increasing (recomputing) its planned volume of basic and incentive components of wage funds in exceeding the decisive plan indicators if it fails to meet the planned deliveries for exports. However, the decisive indicators do not reflect exceeding or failing to meet the planned profit or, as the case may be, even losses from foreign exchange.

Experience with the functioning of the system in organizations of local production and services shows that the dependence of wage funds on the extent of services offered to the populace is not sufficiently intensive and fails to provide a stimulus to their development in the desired extent. Adjusted value added also does not lend itself to use in intraplant management and application

of the general system for regulation of wage funds is too complicated under conditions of local production and services.

#### Measures Valid As of 1983

The mentioned findings confirm the necessity of focusing the attention at all levels of management primarily on systematic compliance with valid regulations. This applies primarily to using the pressure exerted by means of obligatory limits on wage funds toward effective managements of raw and processed materials, fuels and energy and decreasing the number of personnel. Particularly inadmissible is any softening of the obligatory limits motivated by a failure to meet the quotas in increasing the productivity of labor and the attendant increased need (relative to the achieved results) for manpower.

Of course, the current economic situation requires that while the validity of basic regulations is maintained, the existing tools be clarified to eliminate some undesirable effects and to make wage funds more dependent on the results which provide for generation of social resources, to include more emphasis on penalties for losses connected with a low level of efficiency and inadequate utilization of scientific and technological advances. Thus, in the system for regulating wage funds, measures were implemented as of 1 January 1983 that pursue as their main objective a tightening of conditions for generation of wage funds and in the desirable extent also a simplification of the entire mechanism. The measures involved are as follows:

- there is a change in the thematic contents of the decisive indicator for the incentive component of wage funds;
- reductions are made in the rates of items that can be added or deducted for technical level of workmanship and quality of products as well as for fashionable and luxury-finish products;
- increases are made in the rates of items that can be added or deducted for interest bonuses and penalties;
- cancellation is made of deductible items connected with penalizing the organization for exceeding the obligatory limit on the number of personnel by penalizing savings in manpower achieved only during the course of implementation of the plan and by penalizing personnel for failure to accomplish tasks in making automated production more economical;
- influence is exerted on the procedures to be followed by economic production units [VHJ] in determining intrasectorial regulations for regulation of wage funds;
- simplifications are introduced in the manner of regulating wage funds in the branches of local production, services and housing economy and more effective incentives are introduced to promote development of services offered to the populace;
- computation of certain items that can be added is defined more precisely.

In determining the return on investment in operating assets or production factors as the decisive indicator for the incentive component of wage funds, use has been made up to now of profit resulting from assessment of inputs and outputs in wholesale prices. As of the current year, use must be made of the balance profit which also includes differences between procurement and

wholesale prices in deliveries for exports and in importation of materials and fuels, including the settlement of these differences (subsidies or levies) with the state budget. If use is made of a key indicator other than return on investment and that indicator does not include the results achieved through exports, the implementation of the plan for that indicator must be modified by the effects of the results achieved through exports and the incentive component of wage funds must be increased or curtailed depending on the modified implementation of the plan for that indicator. This modification is carried out by adding to the actual amount of the indicator the sum representing an improved result achieved through exports in comparison with the plan, or by subtracting the amount representing a deterioration in the result of exports in comparison to the plan. The result achieved through exports is considered to be the difference between procurement and wholesale prices of deliveries for exports reduced by settlement (levy or subsidy) with the state budget.

In the absence of tangible prerequisites for evaluation of a wider assortment of products, i.e., for systematic implementation of penalties for low level of technical workmanship and poor quality of products, the rates for items that can be added or deducted are reduced (the rate being expressed as a percentage of the prescribed basic component of wage funds) for technical level from 30 percent to 20 percent, for quality from 2 to 1.5 percent, for fashion and luxury-finish products from 10 percent to 5 percent. The basis for computation of the appropriate amount is still formed by preferential pricing allowed for high technical level of workmanship of products as well as for fashions and luxury products, and by penal price reductions for a low level of technical workmanship of products and receipts from sales at basic wholesale prices for products classified into the first and third degree (class) of quality. In connection with reduction of rates, there was eliminated the limit placed on the maximum extent of items that can be added (for technical level, quality, fashion or luxury workmanship and interest bonuses) and resources allocated to the special compensations fund from the export incentive fund, eventually from other funds for a total of 2 percent and in selected organizations 3 percent of the planned volume of wage funds.

To increase pressure on the desired development in keeping stockpiles, the rate of items that can be added or deducted for interest bonuses and penalties is being increased from 25 to 50 percent. Along with this change comes expansion of the scope of interest penalties, which include not only an increase in the interest rate for granted credits, but, newly, also the entire interest on credits not paid within the deadline.

In the interest of more effective promotion of the results of foreign exchange and scientific and technological progress, VHI are charged with the obligation to determine the rules for supplementing the special compensations fund of organizational units which participate in meeting the planned quotas in exports, from the special compensations fund of the VHI. According to these rules, the VHI must allocate a priori at least 70 percent of resources whose transfer from the export incentive fund into their special compensations fund is envisioned in the plan. To the degree the organizational unit meets its planned quotas in exports, the VHI must transfer to it from its special compensations fund resources in the promised amount, regardless of the amount



that it can allocate to its special compensations fund from the export incentive fund. The condition applicable hereby to the VHJ is meeting of planned deliveries for export in the total value of exports quoted as all charges paid and into nonsocialist countries.

VHJ are further charged with the duty of applying in regulation of the incentive component of wage funds in organizational units of the research and development base a type of key indicator that would reflect the results (economic effectiveness) achieved in solving the tasks in scientific and technological development. The dependence of the incentive component on the results attained in solving tasks should also make it possible to increase this component in cases when implementation of the results brings about improved output, with the proviso that the organizational unit of the research and development base had a share in the improvement.

#### Local Production, Services and Housing Economy

More sweeping modifications in the system for regulating wage funds are made in organizations of local production, services, housing economy and production cooperatives. These modifications, which implement the resolutions reached by the Sixth Plenum of the CPCZ Central Committee, can be characterized as follows:

- wage funds are not divided into a basic and an incentive component, however, in exceptional cases a superior organ can maintain such a division;
- changes are made in the thematical contents of key indicators;
- preferential treatment will be accorded to organizations which provide as part of their activities a higher share of services for the populace;
- a limit is placed on the degree of failure to meet the plan for the key indicator, into which is recomputed the planned volume of wage funds (90 percent) and the limit is rescinded for recomputation connected with exceeding the plan for the key indicator.

The amount of the total volume of wage funds is determined for these organizations (with the exception of the housing economy) relatively, i.e., in the form of a share (prescribed standard) in reduced services to the populace, or in reduced output. The indicator of reduced output will be used in cases where organizations provide services at the present in a lesser scope (their share not exceeding 50 percent) and, further, in cooperatives operated by the disabled whose key mission is work and health rehabilitation of citizens with a changed capacity for work. The reduction in indicators is narrower than is the case in other branches of the national economy and under the conditions applicable to organizations rendering services to the populace it is designed primarily to eliminate any interest in increasing the volume of services to the detriment of customers by wasteful and sometimes even utterly unnecessary substitution of parts and components.

The higher wage intensive nature of services to the populace is given due consideration in that organizations are allowed, with the approval of a superior organ, to increase the level of the key indicator in compiling the plan by the amount which corresponds to 60 percent of the quota adopted for

providing services to the populace over the pledge (beyond the volume of services determined by the superior organ) and in the course of implementing the plan by an amount corresponding to 60 percent of the extent by which the planned services were exceeded. If the organization does not include into its plan a quota for providing services to the populace or fails to meet the plan for providing these services, it must decrease by the same extent (60 percent of the unaccepted quota or failure to meet the plan) the level of the key indicator. The specified procedure means that the share of wage funds in the key indicator is increased or reduced depending on the changes in the volume of services provided to the populace.

In the course of implementing the plan, the direct dependence of wage funds on the attained results applies without any recomputation coefficients and conditional indicators in those cases where the criterion of results are reduced services to the populace. A similar procedure applies to cooperatives operated by the disabled, even though the share of wage funds depends in this case on reduced output. Preferential rules are to enable cooperatives operated by the disabled to generate resources required for remuneration of a larger number of workers with a changed capacity for work and, particularly, those suffering from more serious afflictions to health.

For other organizations, in which the volume of wage funds depends on reduced output, recomputation coefficients and conditional indicators are determined for the stage of plan implementation. The level of recomputation coefficients for exceeding the plan of reduced output is graduated according to the extent of services provided to the populace, so that attainment of better results means that organizations providing a higher share of services to the populace will receive preferential treatment. The possibility for recomputation of the volume of wage funds when the plan of reduced output is exceeded is contingent on meeting selected indicators (two, as a rule) characterizing the quality and availability of services.

#### Experiment in Foreign Trade

In addition to the measures implemented in the system for regulating wage funds that became valid as of 1 January of the current year with general or sectorial application, the effectiveness of some measures will be experimentally checked. The latter involve primarily measures designed to improve the effectiveness of foreign economic relations. These measures will be verified in selected VNJ.

In the experiment, wage funds are not divided into a basic and an incentive component. The key indicator to be applied will be adjusted value added or profit balance. Adjusted value added is increased by favorable results and reduced by unfavorable results achieved in foreign trade. This result is interpreted as either change in profit (loss) from foreign trade in comparison to the initial period, i.e., the actual state for 1982 (the change is computed in the form of an annual average), or entire profit (loss) from foreign trade, or as the difference between the actual and planned foreign-currency collections from nonsocialist countries. In the first two cases, the planned and actual volume of adjusted value added is either increased or reduced, in the third case, only its actual volume.

The recomputation coefficient for adjusted value added is determined to be 0.4 for exceeding and 1 for failure to meet its planned volume. In view of the higher fluctuation in profit balance as opposed to adjusted value added, the dependence of wage funds on profit balance during the stage of plan compilation is set at a recomputation coefficient of 0.6 (for accepting a higher profit balance by 1 percent and the same relationship applies to curtailment of wage funds if a lower profit balance is accepted) and for the stage of implementing the plan the recomputation coefficient is 0.3 for exceeding and 0.8 for failing to achieve the profit balance.

The degree for exceeding the plan for the key indicator, at which point the planned volume of wage funds is recomputed, is not specified. If the plan for the key indicator is not met, the planned volume of wage funds is cut down by a maximum of 7.5 percent.

Only a single conditional indicator is specified for the obligatory limit on wage funds, that is, meeting the planned foreign-currency collection from nonsocialist countries, or exports to nonsocialist countries in a value equivalent to prices quoted as all charges paid to the border. If meeting of the planned foreign-currency collections from nonsocialist countries is projected into the key indicator, the conditional indicator is not applied.

Also included in the experiment are foreign-trade organizations which provide for marketing of products of the relevant VHJ abroad. In cases where the foreign-trade organization does not constitute a part of the VHJ and marketing of products abroad is provided only by a specific commercial entity in the framework of the foreign-trade organization, the rules for controlling the wage funds of that entity are specified. The entity draws wage funds (to include payment of shares in economic results) according to its rules, depending on the results it attained (contribution to the results of the appropriate VHJ) and regardless of the results achieved by the foreign-trade organization as a whole. The system for controlling wage funds of foreign-trade organizations remains unchanged.

The items that can be added or deducted for technical level and quality of products, fashionable or luxury-workmanship products are rescinded in this experiment. Instead, the actual volume of the key indicator is increased or reduced by an amount corresponding to 50 percent of preferential pricing for high, or 50 percent of penal price reduction for low technical level and quality of products and, further, 1.5 percent for sales in basic wholesale prices for products not receiving preferential pricing but classified as belonging in the top-quality bracket.

As the export incentive fund is rescinded in the experiment, supplementing of the special compensations fund from the former does not come under consideration. Effective management of foreign currency is promoted by allowing for a special item that can be added for unused foreign-currency entitlement, and deductible items for overdrawn foreign-currency credit. These amounts correspond in either case to the interest which the VHJ would itself receive or pay.

8204

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REVISED GUIDELINES FOR SELECTION OF MANAGERIAL PERSONNEL PUBLISHED

Budapest IPAR KOZLONY in Hungarian 24 Mar 83 pp 237-240

[Guidelines No 7005/1983 of State Secretary Bela Rabi of the Ministry of Industry on Development of the Practice for Selecting and Naming High-ranking Enterprise Managerial Personnel]

[Text] In the interest of the unified execution of Council of Minister's Decree No 1048/1982 (15 December) on the task of developing the state enterprise and organizational system; and Council of Ministers' Decree No 4/1982 (15 December) on the modification of Council of Ministers' Decree No 74/1982 (15 December) on the modification of Council of Ministers' Decree No 4/1978 (18 January); and Decree No 76/1982 (15 December) on the modification of Council of Ministers' Decree No 48/1979 and other provisions of labor statutes on the execution of the Labor Code--in coordination with the sub-branch trade unions--I am issuing the following guidelines. The provisions of the guidelines must be used for the higher-ranking leadership workers (hereinafter managing directors) at trusts, enterprises, institutes and other economic organs (hereinafter enterprises) belonging under the supervision of the Ministry of Industry.

I. The Filling of Managerial Positions by Application

The basic goal of the application system is to establish a better-founded practice for selecting enterprise managers. Its application should make it possible to broaden the basis for recruiting managers and to encourage everyone to aspire for managerial functions for which he is suited by ability and preparation. It should give incentive to more intensive work performance and an interest in the attainment of greater achievements. It should make possible the exchange of well-trained experts among sub-branches and enterprises and promote a healthy mobility of managers.

The broader use of the application system cannot replace planning for managerial recruitment and exchanges. We need to apply the two methods in a combined and coordinated way.

1. The basic goal is that vacant managing directors' positions, or those becoming vacant, at enterprises under the supervision of the ministry should be filled by way of application. The application system must be gradually and continuously broadened.



a) In the initial phase, the application procedure should be used in particular if

--managerial replacements are short in number and training, or if there is uncertainty of judgment regarding the preparation and suitability of persons under consideration,

--the requirements of the given managerial assignment justify a broader scope of candidacies, and

--the filling of the position requires special training or practical knowledge.

b) The application system cannot be used at certain enterprises of industry.\*

2. The manager who exercises employer rights authorizes the publication of an announcement for the submission of applications.

a) The announcement for applications should be published at such a time as will permit the position to be filled--to the extent possible--when it becomes vacant.

b) The announcement calling for applications to fill managing director positions must be published in the IPARI KOZLONY, and in addition may also be advertised in professional-type periodicals (for example, HETI VILAGGAZ-DASAG, FIGYELO and so forth) and in daily newspapers. The IPARI KOZLONY can only be used for the publication of a call for applications to managing director and deputy positions.

3. The announcement for applications should include:

--the name of the organ that will make the appointment;

--the designation and classification of the place and area of work including the statement of whether it is desired to fill a work relation for a definite or indefinite period of time;

--a description of the more important work area and economic requirements and tasks with observance of the orders regarding the protection of state and service secrets;

--the qualifications necessary for filling the position (for example, schooling, political training, practical experience, scientific degree, knowledge of languages and so forth);

--other conditions;

--when the position must be filled;

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\*Enterprises excluded from use of the application system will be directly informed.

- prescriptions regarding the content of and supplements to the application;
- designation of the organ and person who can offer detailed information regarding the application and
- the deadline for submitting an application, the place and time of decision.

4. The application may be submitted to the issuing organ within 30 days following the appearance of the announcement.

--The manager who exercises employer rights may specially invite certain persons to submit applications, primarily from among cadre reserves considered for the filling of the position.

5. The application should include the following about the applicant:

- place of work, assignment, position classification and income,
- full particulars regarding assignments up to the present,
- professional and scientific work and results,
- any scientific degree, knowledge of foreign languages and awards,
- future plans regarding professional work,
- a detailed autobiography and
- professional schooling, political training, languages, other degrees or documents testifying to suitability.

For the content of the application, the manager exercising employer rights may set additional requirements.

6. It is advisable to establish for evaluation of the applications a Judgment Committee (hereinafter Committee).

a) The manager exercising employer rights decides on the composition of the Committee and on the chairman. A representative of the competent personnel apparatus must also be included in the work of the Committee. It may be recommended that the competent party and trade union organs and the representatives of the Supervisory Committees (if such exist) participate in the work of the Committee.

b) The chief of the competent personnel apparatus is responsible for the coordination of the work of the Committee.

c) The commission of the Committee chairman and members is terminated with the making of the recommendation.

7. It is the task of the Committee

- to give a preliminary opinion on the applications that have arrived;
- to filter out applications which do not meet requirements;
- to acquire supplementary information;
- to conduct personal conversations with the applicants and
- to make recommendations on the appointment within 30 days after the expiration of the deadline for submitting applications. The recommendation, which takes into account the position of every member of the Committee, is presented in writing.

8. The manager exercising employer rights takes a position on the recommendation of the Committee within 15 days. Following this, the appropriate personnel apparatus

- requests the professional position of the Supervisory Committee, wherever one exists,
- takes into account the democratic forums of the workplace or the views of the representative organs,
- conducts the prescribed party coordination tasks and
- presents the appointment documents.

9. The competent personnel apparatuses inform candidates in writing of the decisions which affect them individually.

10. It is necessary to assure the confidential nature of the applications. The applicants must not suffer harm because of their participation in the competition.

11. The managing directors of the enterprises, by taking into account the provisions of the guidelines, should see to it that in filling assignments belonging to the enterprise sphere of authority--with particular regard to the deputy managing director positions--the application system is used more widely than up to the present.

II. Long-Term (Generally 5 Years) Requirements for Managing Director Positions as Related to Enterprise Management

It is the primary task of the management to promote the most effective operation of the economic unit entrusted to it among the goals systems and conditions prescribed by the management organs exercising property functions.

Management requirements exist according to changing socioeconomic relations. Their observance and regulation is the guarantee that only those who are actually suitable will be given managerial assignments.

The problems in applying the triple requirement system for managers emphasize how important it is that in the naming of managers--in harmony with the implementation of the basic principles of cadre policy--that defining long-term requirements and tasks related to enterprise management should also be given due attention.

1. Requirements regarding the situation of the enterprise may extend

--to the improvement and restoration of enterprise profitability,

--to research development lines and the fulfillment of obligations related to investment tasks,

--to the development of foreign and domestic market relations,

--to the implementation of provisions in international contracts,

--to organization development tasks,

--to the working out and application of new internal management and incentive systems,

--to the unity of organization-group collaboration (cooperation coordination) and to the carrying out of business agent functions,

--to the fulfillment of tasks related to manpower, specialists' structure, cadre policy, training, socio-policy and the implementation of plan democracy.

2. In defining requirements, the manager exercising employer rights should take into account characteristic circumstances in the given area of specialty, the role of the enterprise in the economy (participation in international specialization, special production, activity linked to basic tasks) and also the professional recommendations of the Supervisory Committee.

3. The defining of tasks must not violate regulations on enterprise autonomy. In regard to managing directors the right to give orders based on the work relations does not extend to that which the founding organ itself cannot order an enterprise to do.

4. The manager exercising employer rights should make the requirements known beforehand and should communicate them in writing at the time of appointment.

--The requirements communicated in writing--together with the appointment documents--should be placed with the personnel materials.

--In justifiable cases and in relation with the enterprise management, the requirements--if necessary--may be corrected or modified during the tenure of the managing director.

5. In evaluating the activities of the managers, fulfillment of the requirements must be taken into account.

a) A systematic evaluation (grading) of the activities of the managers must be done both in the case of those with definite or indefinite appointments.

b) In the case of definite appointments, it is advisable to adjust the evaluation to the determined time period and perform it at least a half year before the expiration date.

6. In the employment of managing directors and deputies, they should prescribe in their sphere of authority requirements that may be related to and evaluated in the work area.

--Such requirements may also be prescribed in filling other managerial assignments belonging in the enterprise employment sphere of authority.

### III. Managerial Appointments for a Definite Period

Parallel with the expansion of the application system, it is justified also to broaden the practice of appointments for a definite period. The goal is to promote more flexible adjustment to changing requirements, eliminate the disadvantageous consequences of appointments for an indefinite time and make it possible for every manager to work in his assignment until he has successfully done his task.

1. The appointment of managing directors to enterprises belonging under the supervision of the Ministry may be for a definite or indefinite time.

2. In general, appointments for a definite period of time should be made if

--the position is being filled by way of applications,

--it is a matter of appointing a managing director for a newly formed enterprise,

--tasks that can be evaluated for the manager in a definite period of time are called for and

--the manager exercising employer rights regards it as justifiable for a variety of reasons.

3. In renewing an appointment, the fulfillment of the prescribed requirements should be determining.

4. An appointment for a definite period of time should generally be for 5 years.

a) Shorter periods may be set if

--the manager has reached, or will soon reach, retirement age,

--organizational changes and regroupings are expected,

--a period under 5 years was set for qualifying the manager to affirm his suitability and

--the Supervisory Committee, on its own, justifies a shorter period.

b) Longer appointments may be justified for economic, development and other conditions.

5. The wider use of employment for a definite period is justified in the case of deputy managing director and other managerial positions.

6. The competent personnel apparatuses should keep a record of the managerial appointments that are for a definite period of time. Prior to their expiration, the manager exercising employer rights should undertake appropriate measures.

#### IV. Modification of Employers Rights

The increase in enterprise autonomy, the expected effect mechanism of the actual management-incentive processes, the sharing of the accompanying and appropriate responsibility and the expansion of the managers' personal responsibility justifies the modification of the scope of effects and of employer rights.

1. The managing director is entitled to employ the enterprise's managing director deputy and exercise employer rights, including permission for foreign travel.

a) At those enterprises where special approval is necessary for naming the managing director deputy and for terminating the work relation, the competent manager of the Ministry of Industry--in case of a trust enterprise, the managing director of the trust--makes the decision.\*

b) To the extent possible, the managing director of the enterprise should not increase the number of deputy managing director positions. In case a number of managing director deputies are appointed--to assure continuity of management--it is necessary to name a first (general) deputy.

--The creation of a new deputy managing director position should be undertaken only in extremely justifiable cases, to the extent this is required by the operational characteristics of the enterprise.

c) When a new enterprise is established, or reorganized, the founding organ fixes the number of deputy managing directors.

2. [The] Enterprise managing directors should see to it that managers who have employer rights should further decentralize their spheres of authority where justified.

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\*The information is imparted directly to those concerned.



New regulations regarding the appointment of enterprise managing directors, the employment of their deputies and their dismissal or the termination of their work relation make it possible for personnel work to adjust better to present requirements and for flexibility, objectivity and democratism to be increased. The modifications create the conditions for the goals that have been set, but their success depends on their being carried out with consistency. Therefore, all the enterprises under the supervision of the Ministry of Industry should apply in practice the provisions of the Guidelines.

In respect to enterprises that belong to the sub-branch but are not under the supervision of the Ministry of Industry, it may be recommended that the competent ministries (the managers of organs with national authority) and the councils should use the provisions in the Guideline for the enterprises they have founded.

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JANUARY AGRICULTURAL INFORMATION PROVIDED

Bialystok Area

Bialystok GAZETA WSPOLCZESNA in Polish 10 Jan 83 p3

[Article: "What Will Winter Be Like?--Fear of Drought in Agriculture"]

[Text] Winter Crops Still Growing--Water Levels in Lakes and Rivers Low

After last year's drought we are looking at the weather's progress with greater sensitivity. There is hope inspired by the increased rains in December of last year and during the first few days of January, making it possible to increase the water levels in the lakes, rivers, and, especially, the ground.

The level of winter crops throughout the region is generally good, except for the late plantings of rape. It is too early yet to be full of optimism. Winter will be the factor which determines the crop levels in the fields. First the beginnings and then the amount of rainfall. But we will not know until spring.

For the moment the weather situation is favorable. The local office of the Institute of Meteorology and Water Management told us that in December Bialystok Voivodship received 56 millimeters of rainfall, compared to the long-term annual average of 36 millimeters. Suwalki received 41 millimeters. During the first 4 days of January, 8 millimeters of rain fell in Bialystok voivodship. As we said, these rainfall levels are above normal. They are more important than summer rainfall levels, because there are not the accompanying losses from evaporation and plant transpiration.

Nonetheless, drought fears have not subsided altogether. In our region the lowest water resource levels were noted in the upper and middle Narwa River and its tributaries, a fact which was responsible for the lower groundwater levels, for example, in the section from Wizna to Zolotki, where flood control measures and installations are in place on the Narwa. At the present time the situation is improving, but on the Narwa the water level is still somewhat below normal. The greatest shortage of water is



being noted in the large lakes, like Sniardwy and Mamry. These shortfalls are assessed at about a quarter of a meter. The recent rainfall has greatly improved the water level in the region, but there are still local shortages.

The calendar winter is already in progress, although practically speaking winter has not yet begun. The weather has settled down somewhat to normal.

It is difficult to say what the further course will be. The forecasters are not making any long-range predictions. We can only say what sort of influence the onset of winter will have on agriculture. If there is heavy snowfall on the crops still growing, then there will be the danger of snow-induced mildew, according to the experts. A sudden dynamic drop in the temperature will also have an adverse impact.

The most favorable weather would be a gradual onset of winter, which means initially light ground frost, and snow later, followed then by heavy precipitation up until spring to finally make up for the water shortages.

#### Lublin Area

Lublin SZTANDAR LUDU in Polish 11 Jan 83 pp 1, 2

[Article by J. Den: "Pluses and Minuses of Atypical Weather: More Abundant Vegetation, Fruit Growers' Worries, Soil's Absorption of the Damp"]

[Text] (From our own sources) The first 10 days of January are already behind us, but the winter by no means reminds us of winter. It is more like early spring. It is warm for this time of year, with the temperature during the daytime reaching 5-7 degrees Celsius. The previous frost did not freeze the ground, although the ground is absorbing the water from the rains. There is no snow at all in the fields, and the vegetation of the winter crops is visible everywhere.

The atypical pre-spring atmosphere is making people ask themselves what sort of impact all this is going to have on farm production. Will this not harm the grain, the fruit orchards, or the potatoes in mounds?

When specialists are asked to comment, they are careful not to advance any unequivocal opinions. The weather could prove unfavorable to one area of production but favorable to another.

It is certainly a positive thing that the long-warm autumn and the precipitation have contributed to better plant growth. Observations show that both the winter wheat sown earlier and that from the later sowing have gotten a good start and are growing well. This also applies to rape, but there is the fear that the plants are not strong enough yet and that they will be a great risk in the event of a sudden drop in temperature. There is also the danger that a heavy layer of snow will fall on soils which have not yet frozen.

The fruit growers have another worry. It is their view that unless the orchards go through a "test frost," the crop will not be good. Up until now there has been no such trial, inasmuch as the temperature has not dropped below minus 10 degrees Celsius yet in our region.

Because of this, the soil has not frozen and can still take on moisture. As everyone knows, because of the extended drought last year, the moisture level in the soil fell to an exceptionally low point and has not yet been built back up entirely. This pertains particularly to the Zamosc area, where the moisture levels reach only 20-30 centimeters.

The higher temperatures have led to the growth of grasses in the meadows and pastures. The information we have received at the Department of Agriculture at the UW in Biala Podlaska shows that in some areas the farmers are still pasturing their cattle in the meadows, permitting them to save a little on their industrially produced bulk feed.

The warm weather is also having another positive influence on livestock production, especially the cows' milk production. During the first few weeks of this year our region is enjoying increased deliveries of milk to the fattening yards. Despite the decline in the number of dairy cows, milk deliveries are higher than they were during a similar period last year.

#### Additional Information, Lublin Area

Lublin SZTANDAR LUDU in Polish 20 Jan 83 p 1

[Article by J. Den: "Agricultural Spring Approaches: Plowing the Light Soils, Activity in the Seed Center Facilities"]

[Text] (From our own sources) As the calendar shows, the agricultural spring is getting closer and closer. You can already see it in the fields in the form of the luscious green winter crops, the river overflows which have not frozen, and the activated growing of the grass in the meadows. All this has meant that the weather this year has been atypical.

Because of the fact that the ground did not freeze, in certain parts of Biala Podlaska and Lublin Voivodships the farmers could continue plowing in the middle of January. In this way they are making up for the time lost in the fall as the result of the extended drought. A few days ago you could see farmers plowing the light soils near Wisznice and Jablonie. Nor is it rare to see farmers hauling manure out to the fields, thereby reducing the heavy work load during the spring.

Prespring activation is the rule in the facilities handling the preparation and distribution of seed material. At the seed grading stations and in the Seed Center laboratories research is being done on seed samples for spring grains and fodder crops. This is to help see that the trade network receives seed of the proper quality.

The information collected shows that the Lublin Enterprise for the Development of Plants and Seeds, which supplies our region with seed material, will have available a far larger quantity of high-grade grain for sowing spring grain than it did last year. There will be more oats above all. Soon the first batches of labels will reach the GS. The first to receive them will be those gminas included in the seed material renewal plan. In Lublin Voivodship this applies to about 32 gminas. Part of these will be allocated to give seed help to those villages which fell victim to crop failure and other natural disasters last year.

It is certain that the farmers are most interested in the question of the conditions for buying seed for spring grain. The final decisions in this matter have not yet been made. There are two variants under consideration. The first is to exchange 100 kilograms of consumer grain for 100 kilograms of sowing grain, in addition to a payment of 350 zlotys or 100 kilograms of sowing grain for 130 kilograms of consumer grain without any other payment.

#### Katowice Area

Katowice TRYBUNA ROBOTNICZA in Polish 13 Jan 83 pp 1, 2

[Article: "In the Fields, Spring: Winter Crops Good, Lack of Snow Creates Threat of Their Freezing, Many Pests, What's Happening in the Mounds?"]

[Text] Abnormal freaks of spring weather are beginning to be felt by everybody. People are getting sick. The skiers have no snow. The children are bored. The only people who are satisfied are the street-cleaners. In addition, the television news is beginning to give information about something putting out leaves or starting to bud here and there.

For the time being, the situation in the fields is not bad, but it is very uncertain how things will go. The winter crops have been growing pretty well, with the turnips doing splendidly, as one can see with the naked eye, because all of this is bare without any protective covering of snow. And this is dangerous. A wave of frost without heavy snows first can ruin our hopes for this next year's crops. The turnips can simply freeze.

On the other hand, the high temperatures are creating conditions favorable to pests and plant diseases, which is the next danger that the coming harvests face. Heat also has a terrible impact on storage, especially the traditional mounds and basements used for storage. The farmers are beginning to consider what sight they will face once the mounds are opened in the spring. And the lack of precipitation is not good for building up the depleted water reserves either.

The papers tell us that in certain voivodships, especially those which have suffered drought, like Zielona Gora Voivodship, the farmers are using the spring weather up make up for the great time lost in plowing and apply-

ing lime to the soil. In Katowice, Bielsk, and Czestochowa Voivodships you do not see people or machinery in the fields, because the autumn work has already been completed according to the plan, on time. Therefore let us hope that the caprices of the weather will not destroy the farmers' work, that any day now real winter will begin, and that snow will fall and then the frost will come, rather than the other way around.

#### Gdansk Area

Gdansk GLOS WYBRZEZA in Polish 20 Jan 83 p 2

[Article: "Preparation for Agricultural Spring"]

[Text] In agriculture preparations are in progress for the agricultural spring. They include the preparation of seed, technical equipment, and the machinery necessary for the spring cultivation work, the supply of chemical fertilizers and plant protection agents. In Gdansk Voivodship the area planned for spring sowing includes 162,000 hectares. For example, there are plans to sow nearly 72,000 hectares with spring grain, 5,400 hectares with sugar beets, 12,400 hectares with corn, and 5,000 hectares with vegetables and to plant potatoes over 39,000 hectares.

Yesterday at the voivodship office was the first of several coordination meetings aimed at discussing the schedules for spring work preparations. The meeting was attended by representatives of the machine centers, agrarian circle cooperatives, state farms, and farm supply enterprises and institutions, because at the meeting there was a discussion of issues related to technical support for agricultural spring, that is, questions of machine and tractor repairs and the supply of spare parts and simple equipment.

The information presented at the meeting and the opinions expressed in the discussions showed that farm machine repairs are in progress. Machine users usually make them in their own area, using machine-center services to a lesser extent than last year. During the discussions there was a call for the SKRs and state farms to permit greater use of spare parts, so that deliveries of these parts would not be directed solely to the plants which specialize in repairing the various sorts of machinery and tractors.

The information presented at the meeting also showed that, despite some improvement, we should still count on a shortage of certain types of spare parts. In this connection it was suggested that production of certain scarce spare parts be undertaken by the Gdansk Voivodship SKRs or machine centers. There was also a call for expanded information about where farmers can buy spare parts and what kind.

The meeting established deadlines for completing certain tasks and gave the names of those persons responsible for them, and these data were inserted into the coordination provisions in the realm of spring work preparation drafted by the voivodship office, and a copy of the provisions was supplied to the people attending the meeting.

The meeting was attended by PZPR Voivodship Committee Secretary Mieczyslaw Stefanski and deputy voivodship governor Jerzy Schwarz, who chaired the meeting.

#### Additional Information, Gdansk Area

Gdansk DZIENNIK BALTYCKI in Polish 20 Jan 83 pp 1,2

[Article: "Preparations Already Under Way for Agricultural Spring"]

[Text] In order to see that this year's spring work goes well this year in Gdansk agriculture, people are already beginning to coordinate efforts related to comprehensive preparation of agricultural services and units serving agriculture in this realm. The basic purpose of the efforts and provisions undertaken at the beginning of the new year consisted of an improvement in the organization of these operations and services and better supply of the means of production, improvement which would be noticeable by farmers and by the socialized economy.

Yesterday the first of four planned meetings on coordination was held at the voivodship office in Gdansk. The meeting was attended by management activists from agricultural service units, as well as PZPR Voivodship Committee secretary Mieczyslaw Stefanski, and deputy voivodship governor of Gdansk, Jerzy Schwarz, who chaired the meeting. There was discussion of the preparations for spring being made by the agricultural service technical institutions enterprises.

The Gdansk farmers this spring will be facing large tasks. Throughout the economy it will be necessary to farm 162,200 hectares of land, including more than 120,000 hectares in private farming. There are plans to sow summer grain on 71,800 hectares, sugar beets on 5,400 hectares, feed beets on 66,700 hectares, corn on 12,400 hectares, seed potatoes on nearly 40,000 hectares, and vegetables on 5,000 hectares.

During the meeting it was stated that it will not be possible fully to meet the farmers' spring demand for spare parts for machinery and equipment. For the moment no improvement is promised for the supply of batteries or tires. Therefore an appeal was made for the agricultural technical service enterprises to become more involved in the production of scarce spare parts. Some SKRs and POMs are already producing them. This activity must continue to be developed.

In turn trade should confront the concrete demand for the scarce retail items being sought. There is still a little time left before spring, and it should be used to supplement at least some supply levels of scarce products.



## Wroclaw Area

Wroclaw GAZETA ROBOTNICZA in Polish 31 Jan 83 pp 1,5

[Article: "Reports Not Only From the Fields; Farmers Carrying Out Fall Work"]

[Text] (From our own sources) The last January we had like this one was back in 1975, when the farmers worked just about the whole month in the fields, carrying out delayed fall work. We have the identical situation now. From the farmers' point of view, it is very complicated and difficult to predict how this will influence this year's harvest, inasmuch as it is favorable in that it makes it possible to do the plowing that could not be done in the fall owing to the drought, but at the same time this plowing makes the ground drier. The occasional rains have not improved the soil dampness, which goes down barely from 10 to 20 centimeters into the ground. Thus, practically speaking the soil is still dried out. As the specialists say, the humidity conditions could now be improved by a heavy snow or, in the worst case, by at least 2 weeks of rain.

It is a good thing that for the first time in many years the socialized farms are managing to haul out into the fields all the manure that has accumulated from year to year. Therefore there will be improvement both in the soil's structure and the level of fertilizer application, and the cropland will benefit from the manure. Nonetheless there is concern over the fact that people are already noticing field rodents in the perennial Papilionaceae plantings (alfalfa and clover). It is usual for an onslaught of mice to follow a mild winter. Therefore, their appearance so early this year does not bode well.

The management of mineral fertilizers varies from one voivodship to another. Thus, in Legnice Voivodship just about all the stock has been bought up by the farmers, and if there are no new deliveries there is the fear that sowing will not be increased in early spring. The situation is just the opposite in Wroclaw and Walbrzych Voivodships, where fertilizer sales have recently been lower than during the same period last year. On the other hand, the supply of plant protection agents which agriculture is receiving is better than had been expected, and there is a rather wide assortment, although unfortunately this does not apply to the chemical agents used by fruitgrowers.

The stocks of summer grain seed are adequate, and so are those of other crops sown in the spring. The thing is that they cannot be distributed among the farmers yet, because the Ministry of Agriculture has not yet determined the principles for exchanging them for grain for bread. In all four voivodships of lower Silesia there is a serious shortage of seed potatoes, and if the deliveries from the northern sections of the country do not arrive in time or the supplies are not large enough, the sowing plan will not be met.

In livestock production the adverse tendency of farmers' selling their cows and sows continues. There is also a great decline in the breeding of sows, and the distribution of breeding pigs and heifers is down. This condition will have an adverse impact on the level of livestock production, especially during the latter half of the year

Also sluggish is the contracting for plant products from this year's harvest. For example, only half the contracting plan was met in Wroclaw Voivodship for grain. In that voivodship less than 63 percent of the contract plan for sugar beets was met and only 23.5 percent of the plan for consumer potatoes. The rape contract plan was not met either.

In all the voivodships there is already some monitoring beginning over the level of preparation of the farm equipment for spring work, which can begin by mid-February, if the weather holds. This at least is the view of most farmers. Some of them have already begun now to build up the level of fertilizer application in the meadows and also part of the winter crops.

10790

CSO: 2600/379

FOREIGN EXCHANGE LAW AMENDED, SUPPLEMENTED

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 77, 31 Dec 82 pp 1843-1854

[Law of the SFRY Assembly on Amendments and Supplements to the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries enacted in a session of the Chamber of Republics and Provinces]

[Text] Ukase Promulgating the Law on Amendments and Supplements to the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries

The Law on Amendments and Supplements to the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries, enacted by the SFRY Assembly in a session of the Chamber of Republics and Provinces on 30 December 1982, is hereby promulgated.

Enactment No 251  
Belgrade, 30 December 1982

President,  
SFRY State Presidency  
Petar Stambolic (signed)

President,  
SFRY Assembly  
Raif Dizdarevic (signed)

Law on Amendments and Supplements to the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries

Article 1

In the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries (SLUZBENI LIST SFRJ, No 15, 1977, and No 61, 1982), after Paragraph 1 in Article 3 new Paragraphs 2 and 3 shall be added to read as follows:

"In the domain of foreign economic relations the workers shall have the same socioeconomic status as in the overall relations of social reproduction.

"In the relations of realization, disposition and pooling of foreign exchange to make payments abroad the workers shall basically have the same rights, obligations and responsibilities as in the relations of realization, disposition and pooling of other resources of society."



The previous Paragraphs 2 and 3 shall become Paragraphs 4 and 5.

## Article 2

Article 5 shall be amended to read as follows:

"Foreign exchange realized by basic and other organizations of associated labor represents the results of the labor of the workers in basic organizations of associated labor and of the labor of the entire society and shall be used exclusively to make payments in international transactions.

"Foreign exchange realized by basic and other organizations of associated labor as claims in a foreign currency and means of payment abroad shall constitute a specific monetary expression of the resources of society.

"Foreign exchange shall belong to the basic organizations of associated labor which participated in realizing it.

"Organizations of associated labor which have realized foreign exchange or have participated in its realization shall freely and independently decide whether to keep the foreign exchange which they possess in a foreign exchange account in conformity with the provisions of this law or convert it to dinars.

"The organizations of associated labor referred to in Paragraph 3 of this article which have converted foreign exchange to dinars shall have priority in the purchase of foreign exchange, under the conditions set forth in this law."

## Article 3

In Article 6, Paragraph 2 shall be amended to read as follows:

"Foreign exchange which has been realized shall be disposed of in conformity with the provisions of this law."

## Article 4

Article 7 shall be amended to read as follows:

"Foreign exchange which has been realized shall be used to meet obligations come due, to pay for needs in reproduction of the basic and other organizations of associated labor which have realized it or participated in its realization, the needs in reproduction of organizations of associated labor which do not realize foreign exchange by doing business with foreign countries or which do not realize it in sufficient amount, and the needs in reproduction of organizations of associated labor which have been prohibited from exporting or restricted in exporting by acts of federal bodies, and to meet the needs of government and social services as specified by this law, regulations issued on the basis of federal law, and a self-management accord in conformity with this law."

## Article 5

Article 8 shall be amended to read as follows:

"Basic and other organizations of associated labor may keep foreign exchange realized in conformity with the provisions of this law in a foreign exchange account exclusively in an authorized bank.

"The foreign exchange referred to in Paragraph 1 of this article may be used to make payments abroad or to invest in wholly or partially owned enterprises abroad, or may be sold to an authorized bank.

"Payments abroad and investments in wholly or partially owned enterprises abroad may be made independently or in association with other basic organizations of associated labor and other organizations of associated labor.

"Basic and other organizations of associated labor may pool foreign exchange to meet stated needs in foreign exchange on the basis of a self-management accord on the pooling of labor and capital or on the basis of a contract on long-term industrial cooperation, joint ventures abroad or business-technical collaboration.

"The accounts referred to in Paragraph 1 of this article shall be denominated in foreign currencies or in dinars.

"The Federal Executive Council, upon a proposal of the National Bank of Yugoslavia, shall set forth the conditions and manner in which the accounts referred to in Paragraph 1 of this article shall be nominated in dinars."

## Article 6

Article 12 shall be amended to read as follows:

"The planning of foreign economic relations is an integral part of the overall system of self-management social planning. Foreign economic relations shall be planned in order to ensure the conditions and prerequisites for more successful inclusion of associated labor in the international division of labor, to strengthen the export orientation of planning entities and the country's economy as a whole, and to establish long-term economic ties among organizations of associated labor related to export transactions.

"The workers, as planners, in the framework of development plans of basic and other organizations of associated labor, self-managing communities of interest and other self-managing organizations and communities, and also in the framework of plans for economic development of sociopolitical communities, shall plan foreign economic relations. Basic and other organizations of associated labor shall mutually reconcile their respective plans and bring their plans into conformity with those of other planning entities with which they have ties in their operation, production and income and they shall also reconcile their plans in preparations for conclusion of the agreement on the bases of the plan of the sociopolitical community.

"Joint economic policy in which the joint exchange policy set forth in planning documents of the SFRY Assembly is an integral part, shall constitute the basis for reconciliation of interests and mutual reconciliation through self-management of the essential elements of the plans of planning entities.

"Organizations of associated labor and other self-managing organizations and communities shall also conduct their mutual relations and reconcile their interests in planning foreign economic relations within self-managing communities of interest for foreign economic relations as well as in economic chambers and general associations, in conformity with the roles of those respective institutions.

"Before reconciling their plans within self-managing communities of interest in the republics and autonomous provinces organizations of associated labor must bring their plans into conformity with the plans of those organizations of associated labor with which they have concluded self-management accords on the pooling of labor and capital for purposes of joint production and realization of inflow of foreign exchange or concerning the pooling of the exchange realized.

"Plans shall be mutually reconciled within the framework of self-managing communities of interest of the republics and autonomous provinces so that there is no obstacle to the pooling of labor and capital over the territory of the country.

"Within the Yugoslav Community of Interest for Foreign Economic Relations organizations of associated labor and other self-managing organizations and communities which have ties in operation, production and income and are dependent on one another on the unified Yugoslav market shall reconcile the most important elements of foreign economic relations contained in their plans with one another. These reconciled elements shall constitute an integral part of the basis for planning foreign economic relations within the republics and autonomous provinces.

"Self-managing communities of interest for foreign economic relations in the republics and autonomous provinces and the Yugoslav Community of Interest for Foreign Economic Relations shall monitor fulfillment of plans with respect to foreign economic relations as referred to in Paragraphs 2 and 7 of this article and within their respective rights and duties shall in good time, both individually and jointly, take the steps necessary to guarantee fulfillment of those plans.

"Organizations of associated labor in enacting their development plans and republics and autonomous provinces in setting forth economic policy shall within their respective rights and duties guide economic development so as to facilitate the most optimum inclusion of associated labor in the international division of labor, in conformity with the stated joint development policy and joint exchange policy, mindful of their respective contribution and obligations to achieving the planned proportions in Yugoslavia's balance of payments and exchange balance."

## Article 7

Paragraphs 1 and 2 in Article 13 shall be deleted.

## Article 8

Article 22 shall be amended to read as follows:

"Proceeding on the principle that exports shall be unrestricted, if exceptionally and temporarily an act of the SFRY Assembly or act of the Federal Executive Council issued on the basis of an act of the SFRY Assembly prohibits or restricts the exports of certain goods and the rendering of certain services to foreign persons and thereby violates the equality of organizations of associated labor in the realization of foreign exchange, that act shall at the same time furnish compensation by setting forth the right to purchase exchange on the foreign exchange market and shall state the conditions and sources of the foreign exchange for obtaining that compensation.

"The right to compensation because of a prohibition or restriction of exports shall be exercised by the basic organization of associated labor only for those quantities of goods or that volume of services for which it has not assumed obligations to supply the domestic market through self-management accords, agreements and contracts regulating the relations of lasting cooperation.

"The compensation referred to in Paragraph 1 of this article shall provide foreign exchange for the agreed needs in reproduction of basic organizations of associated labor whose exporting has been prohibited or restricted, depending on the size of the inflow of foreign exchange which they would realize if their exporting had not been prohibited or restricted, according to the uniform criteria stated in Article 69a, Paragraph 2, of this law."

## Article 9

In Article 23, Paragraph 3, the words "within the framework of the country's joint economic policy" shall be added at the end.

Following Paragraph 3 a Paragraph 4 shall be added, to read as follows:

"The projection of Yugoslavia's balance of payments and the projection of Yugoslavia's foreign exchange balance shall be based on Yugoslavia's medium-term plan."

## Article 10

In Article 24, Paragraph 1, the words "within the framework of the country's joint economic policy" shall be added at the end.

Following Paragraph 3 a Paragraph 4 shall be added, to read as follows:

"The Federal Executive Council shall propose the projection of Yugoslavia's balance of payments and the projection of Yugoslavia's exchange balance to the SFRY Assembly simultaneously with the resolution on implementing Yugoslavia's medium-term plan in the coming year."

#### Article 11

Paragraph 3 of Article 25 shall be deleted.

Paragraph 5 shall be amended to read as follows:

"On the basis of consent of the competent bodies of the republics and provinces, the Federal Executive Council shall prescribe the methodology and criteria for ascertainment and the methodology for monitoring fulfillment of the projection of Yugoslavia's balance of payments and the projection of Yugoslavia's exchange balance."

#### Article 12

In Article 26 the words "and by the projections of the balance-of-payments positions and balance-of-foreign-exchange positions of the republics and autonomous provinces within the unified projection of Yugoslavia's balance of payments and balance of foreign exchange" shall be deleted.

#### Article 13

Article 27 shall be amended to read as follows:

"The volume of foreign indebtedness and the volume of credit to be extended abroad shall be set forth for the medium-term planning period in the social plan of Yugoslavia.

"The volume of foreign indebtedness and the volume of credit to be extended abroad shall be fixed for each year in Yugoslavia's balance of payments and exchange balance and must be reconciled with the joint policy governing foreign economic relations, the level of the country's indebtedness and the capabilities of individual entities and the country as a whole to promptly discharge obligations arising out of credits.

"An individual entity may contract indebtedness abroad if an authorized bank has ascertained that it is able to repay the credit in foreign exchange and dinars and if the discharge of obligations under the credit is covered by the authorized bank's credit-guarantee potential.

"The Federal Executive Council and National Bank of Yugoslavia shall take steps to guarantee that the volume of foreign indebtedness conforms to the provisions of Paragraphs 1 and 2 of this article.

"Borrowing abroad and extension of credit abroad shall be guided toward the aim of achieving a larger total inflow of foreign exchange, guaranteeing the necessary liquidity in international payments, and fulfillment of Yugoslavia's balance of payments and exchange balance."



## Article 14

Article 28 shall be amended to read as follows:

"In order to achieve the goals and perform the tasks of their respective plans and Yugoslavia's balance of payments and exchange balance the republics and autonomous provinces shall prepare their own projections of payments-balance and exchange-balance positions.

"The projections of the payments-balance and exchange-balance positions of the republics and autonomous provinces shall be planning instruments in the domain of foreign economic relations and shall contain planning goals and tasks which shall reflect the role and responsibility of the republics and autonomous provinces in shaping, conducting and accomplishing the policy governing foreign economic relations and fulfilling Yugoslavia's balance of payments and exchange balance.

"The projections of the payments-balance and exchange-balance positions of the republics and autonomous provinces shall be based on the essential elements of the plans of basic organizations of associated labor located within the respective republics and autonomous provinces, on the relations established by organizations of associated labor on the unified Yugoslav market, and on the goals and tasks set forth in the projection of Yugoslavia's balance of payments and exchange balance and shall contain the elements of foreign economic relations from the plans of organizations of associated labor and other self-managing organizations and communities which have mutual ties pertaining to their operation, production and income on the unified Yugoslav market, and shall constitute the basis for continuous monitoring and conduct of economic policy in the republic and autonomous province with respect to implementation of joint economic policy and Yugoslavia's balance of payments and exchange balance.

"The projections of the payments-balance and exchange-balance positions of the republics and autonomous provinces may not alter relations established among organizations of associated labor on the unified Yugoslav market which have a share in exports. The projections of the payments-balance and exchange-balance positions of the republics and autonomous provinces shall be adapted to essential changes that occur on the unified Yugoslav market in relations among organizations of associated labor taking part in exports in order to achieve Yugoslavia's balance of payments and exchange balance.

"On the basis of monitoring achievement of the payments-balance and exchange-balance positions, the republics and autonomous provinces shall take the steps necessary to achieve Yugoslavia's balance of payments and exchange balance and joint economic policy, especially with respect to development policy, credit and monetary policy, the policy governing taxes and contributions, price policy, and in creating more favorable conditions for production and use of domestic raw materials on behalf of optimum import substitution, in organizing establishment of ties within associated labor, in stimulating organizations of associated labor to enter into association, and measures in the domain of joint foreign exchange policy."

Article 15

Article 29 shall be amended to read as follows:

"The Federation, the republics and the autonomous provinces shall be responsible within the limits of their respective rights and duties for achievement of Yugoslavia's balance of payments and exchange balance and shall bear a duty to take timely steps to achieve plans governing foreign economic relations of organizations of associated labor and thereby proportions in Yugoslavia's payments balance and exchange balance for the current year, and to take steps to suppress manifestations of exclusiveness or monopoly behavior, on behalf of establishment of broader ties among organizations of associated labor on the unified Yugoslav market, augmentation of exports and more optimum imports."

Article 16

Articles 30 through 32 shall be deleted.

Article 17

In Article 33 the words "in the unified projection of Yugoslavia's balance of payments and balance of foreign exchange" shall be deleted.

Article 18

In Article 34 the words "in the unified projection of Yugoslavia's balance of payments and balance of foreign exchange" shall be deleted.

Article 19

In Article 35, Paragraph 1, the words "in the unified projection of Yugoslavia's balance of payments and balance of foreign exchange" shall be deleted.

Paragraph 2 shall be deleted.

Article 20

In the opening sentence of Article 36 the words "the projection of the balance-of-payments and balance-of-foreign-exchange positions of the republics and autonomous provinces" shall be deleted.

Article 21

In Article 38, Paragraph 1, the words "in preparation" shall be added after the words "with foreign countries and", while the words "in the unified projection of Yugoslavia's balance of payments and balance of foreign exchange" shall be deleted.

Article 22

In Article 42, Paragraph 1, after Subparagraph 5 a new Subparagraph 6 shall be added to read as follows:



"6) they shall encourage the self-management linkage and organization of organizations of associated labor on the unified Yugoslav market for the purpose of production for export and for the rendering of services to foreign persons;".

The present Subparagraph 6 shall become Subparagraph 7.

#### Article 23

In Article 44, after Paragraph 4 a Paragraph 5 shall be added to read as follows:

"The bylaws of the Yugoslav Community shall also set forth the manner of the Community's cooperation with organizations of associated labor which have links pertaining to their operation, production and income in the production for export and in forms of linkage and organization which they themselves establish."

#### Article 24

In Article 46, Paragraph 1, after the words "The policy" the words "of a single and" shall be added.

After Paragraph 3 a new Paragraph 4 shall be added to read as follows:

"The National Bank of Yugoslavia shall establish the methodology for setting the rate of exchange of the dinar."

The previous Paragraphs 4 and 5 shall become Paragraphs 5 and 6.

#### Article 25

After Article 50 a new Article 50a shall be added to read as follows:

##### "Article 50a

"Differences in rates of exchange in the conduct of transactions with foreign exchange of organizations of associated labor and other social juridical persons shall be borne by each participant in the use of foreign exchange directly or through authorized banks.

"Differences in rates of exchange which arise out of credits used abroad shall be borne by the user of those credits."

#### Article 26

In Article 51 Paragraph 1 shall be replaced by new Paragraphs 1 and 2, to read as follows:

"Differences in rates of exchange which arise on the basis of foreign exchange accounts and foreign exchange savings accounts which individuals and civil

juridical persons have in authorized banks shall be charged to the resources which those banks possess.

"Authorized banks may use the foreign exchange of individuals kept in those banks to make loans in conformity with the regulation adopted by the Federal Executive Council."

The previous Paragraph 2 shall become Paragraph 3.

In the previous Paragraph 3, which becomes Paragraph 4, the words "Paragraph 2." shall be replaced by the words "Paragraph 3."

#### Article 27

After Article 51 an Article 51a shall be added to read as follows:

##### "Article 51a

"Authorized banks may deposit in the National Bank of Yugoslavia the foreign exchange of organizations of associated labor originating from advances received on the basis of work to be done on capital investment projects abroad and the export of equipment and ships.

"The National Bank of Yugoslavia is required at the request of the authorized bank to accept the deposit of foreign exchange referred to in Paragraph 1 of this article which is contained in the accounts of the authorized banks, extending at the same time interest-free credit to the authorized bank on the account of the organizations of associated labor referred to in that paragraph whose foreign exchange is being accepted in deposit, in the amount of the dinar equivalent of the foreign exchange deposited.

"The amount of the dinar equivalent referred to in Paragraph 2 of this article shall be established by the National Bank of Yugoslavia in conformity with the rate of exchange of the dinar which is in effect on the date when the foreign exchange is accepted in deposit.

"Organizations of associated labor which withdraw foreign exchange placed in a deposit through the authorized bank for purposes of making payments abroad within the period stipulated in the contract shall place the dinar equivalent referred to in Paragraph 3 of this article in the National Bank of Yugoslavia through the authorized bank in the amount and in accordance with the rate of exchange of the dinar which was in effect on the date when the foreign exchange was accepted in deposit.

"The National Bank of Yugoslavia is required at the request of the authorized bank to make available the deposited foreign exchange originating from advances received within the period stipulated by the contract.

"The foreign exchange referred to in Paragraph 1 of this article shall not be subject to distribution on the basis of Article 69a of this law before billing and collection."

## Article 28

In Article 52 Paragraphs 1 and 2 shall be amended to read as follows:

"For the purpose of this law 'unified foreign exchange market' means an organized system encompassing all purchases and sales of foreign exchange transacted within the Socialist Federal Republic of Yugoslavia in the manner set forth in this and other federal laws and regulations concerning the conditions, organization and operation of the unified foreign exchange market issued by the Federal Executive Council on recommendation of the National Bank of Yugoslavia.

"Domestic persons and foreign persons shall purchase and sell foreign exchange in authorized banks and authorized currency exchange offices in accordance with federal law."

After Paragraph 2 a new Paragraph 3 shall be added to read as follows:

"Economic policy measures shall stimulate the economic motivation of organizations of associated labor to sell foreign exchange on the unified foreign exchange market."

The previous Paragraphs 3, 4 and 5 shall become Paragraphs 4, 5 and 6.

## Article 29

In Article 53, Paragraph 1, the word "unified" shall be added after the words "on the".

## Article 30

In Article 57, Paragraph 1, a comma and the words "under the conditions defined by the National Bank of Yugoslavia" shall be added at the end.

Paragraph 2 shall be deleted.

## Article 31

Article 58 shall be amended to read as follows:

"Banks authorized to handle international transactions shall purchase and sell foreign exchange at the rates of exchange set in the interbank meeting of the unified foreign exchange market."

## Article 32

In Article 60, Paragraph 2 shall be amended to read as follows:

"Banks authorized to handle international transactions shall conclude spot foreign exchange purchases and sales with one another at the rates of exchange set at the interbank meeting of the unified foreign exchange market."

### Article 33

Article 67 shall be amended to read as follows:

"Foreign exchange which basic organizations of associated labor realize in their independent conduct of business shall belong to those organizations, and they shall dispose of it in conformity with this law.

"Foreign exchange realized through the pooling of labor and capital shall belong to the basic organizations of associated labor which participated in earning it through their mutual production, financial or other economic cooperation.

"Organizations of associated labor which have relations of direct linkage and dependence in reproduction shall in a self-management compact regulate their mutual relations in the joint production of goods and rendering of services for export and the distribution of the foreign exchange realized through that exporting among the actual exporters and their subcontractors in proportion to their respective contributions in the realization of the joint exports and inflow of foreign exchange.

"Authorized banks shall immediately, no later than within 3 days, distribute the inflow of foreign exchange realized on the basis of exports of goods and services to organizations of associated labor which in the relations of direct linkage and dependence in reproduction have participated in realizing the foreign exchange, in accordance with the self-management accord referred to in Paragraph 3 of this article.

"Disputes concerning the relations covered by this article shall be settled by the competent court of associated labor."

### Article 34

Article 68 shall be amended to read as follows:

"Organizations of associated labor may pool foreign exchange they have realized or become entitled to on the basis of the established contribution within the limits of the agreed needs of reproduction on the basis of a self-management accord concerning the pooling of labor and capital or on the basis of a contract concerning lasting industrial cooperation, joint ventures within the country and abroad or business-technical collaboration for the purpose of joint production of goods and rendering of services for export which would contribute to realizing a larger inflow of foreign exchange and earning of joint income, including the bearing of the joint risk.

"Foreign exchange pooled for the purposes stated in Paragraph 1 of this article may be used only to make payments abroad.

"Organizations of associated labor which pool foreign exchange may transfer it to each other's account which they have in authorized banks only for the purposes for which it has been pooled.

"The self-management accord or contract on pooling of foreign exchange may not envisage sale of foreign exchange for the dinar equivalent of the pooled exchange, nor may credits be granted on the basis of foreign exchange pooled in this manner."

#### Article 35

Article 69 shall be amended to read as follows:

"The point of departure in the disposition of foreign exchange shall be the principle that the foreign exchange has been realized through work with capital owned by society and that it is the result of the work of the workers in organizations of associated labor and of the labor of the entire society."

#### Article 36

After Article 69 Article 69a through 69e shall be added as follows:

##### "Article 69a

"Basic organizations of associated labor shall retain of the foreign exchange inflow which they realize a portion denominated in foreign exchange as established on the basis of uniform criteria.

"Basic organizations of associated labor shall on a priority basis use the portion of foreign exchange which they retain to discharge their obligations under foreign credits and obligations assumed under international conventions and shall meet the agreed needs in their reproduction.

"At the same time foreign exchange shall also be set aside out of the portion of foreign exchange which basic organizations of associated labor retain on the basis of uniform criteria:

"i. for the import of energy raw materials to meet the established needs of society;

"ii. for the import of goods particularly important to supply of the public;

"iii. for a portion of necessary needs in reproduction of basic organizations of associated labor whose contribution to the export cannot be ascertained or is not sufficient to cover necessary import needs;

"iv. for the most necessary needs in reproduction of basic organizations of associated labor which have established import needs, but do not participate in export;

"v. for compensation as referred to in Article 22 of this law if the acts setting forth or conducting the country's joint economic policy envisages an export ban or restriction.

"The uniform criteria referred to in Paragraph 1 of this article shall be set forth by the Yugoslav Community of Interest.



"Before determination of the portion of foreign exchange which basic organizations of associated labor shall retain an act of the SFRY Assembly shall fix the portion of foreign exchange to meet the needs of the Federation, as follows:

"i. to meet the needs of federal bodies, agencies and organizations in making payments abroad;

"ii. to replenish Yugoslavia's foreign exchange reserves handled by the National Bank of Yugoslavia;

"iii. to repay credit which the National Bank of Yugoslavia has taken in its own name and on its own account.

"The uniform criteria shall ensure that the portion of foreign exchange retained by basic organizations of associated labor in the context of Paragraph 2 of this article depend on the inflow of foreign exchange which they achieve.

"The uniform criteria shall guarantee stimulation of exports, equality of organizations of associated labor on the unified Yugoslav market, and broader linkage and pooling in the context of Articles 67 and 68 of this law.

"The portion of foreign exchange for the purposes stated in Paragraphs 3 and 5 of this article shall be stated in fixed amounts, and the foreign exchange shall be set aside in proportion to the country's inflow of foreign exchange, but not to exceed the stated amount.

"Article 69b

"The Yugoslav Community of Interest shall set forth the uniform criteria referred to in Article 69a of this law in collaboration with general associations and the Economic Chamber of Yugoslavia, within the limits of the proportions of Yugoslavia's balance of payments and exchange balance.

"The uniform criteria referred to in Paragraph 1 of this article shall be subject to consent of the Federal Executive Council with respect to their conformity with the proportions of Yugoslavia's balance of payments and exchange balance and joint foreign exchange policy.

"The uniform criteria referred to in Paragraph 1 of this article shall be set forth simultaneously with the joint economic policy for the coming year.

"If the uniform criteria referred to in Paragraph 1 of this article are not set forth simultaneously with the joint economic policy for the coming year, the Federal Executive Council shall within a further period of 30 days decide that the uniform criteria previously in effect shall be applied or shall adopt other temporary solutions which shall be applied until the uniform criteria are set forth.

"Basic organizations of associated labor engaged in special-purpose production shall retain that portion of the inflow of foreign exchange which has been established on the basis of criteria set forth by the Federal Executive Council.

"The portion of foreign exchange which basic organizations of associated labor engaged in special-purpose production retain shall be used to make payments for the import of special-purpose products, raw materials, production materials and equipment for the production of special-purpose products for export.

"Article 69c

"The uniform criteria referred to in Article 69a of this law shall state that portion of the inflow of foreign exchange which individual lines of business shall retain from the inflow of foreign exchange realized by basic organizations of associated labor in the respective line of business.

"Basic organizations of associated labor in a particular line of business shall distribute the portion of foreign exchange retained pursuant to Paragraph 1 of this article among themselves, within the framework of their self-management forms of organization and linkage, the distribution to individual basic organizations of associated labor to be in accordance with their needs in reproduction as mutually acknowledged.

"Article 69d

"The act of the competent body in the republic or autonomous province shall establish within the portion of foreign exchange which basic organizations of associated labor retain on the basis of the uniform criteria referred to in Article 69a of this law the amount for the following:

"i. for payments abroad of bodies, agencies and organizations of sociopolitical communities in the republic or autonomous province;

"ii. to repay credits taken abroad by the republic or autonomous province.

"The foreign exchange for the purposes stated in Paragraph 1 of this article shall be established in a fixed amount; needs shall be met in proportion to the inflow of foreign exchange realized, but not to exceed the amount established.

"In the republic or provincial community a portion of the foreign exchange shall be established within that portion of foreign exchange which basic organizations of associated labor retain on the basis of the uniform criteria referred to in Article 69a of this law to meet the following purposes:

"i. joint needs in the social services;

"ii. the needs of the economic infrastructure: energy, transportation and similar needs, over and above the needs agreed on through self-management procedure in the context of Article 69a of this law;

"iii. the needs of the small business sector;

"iv. the needs of other lines of business pursued within the republic or autonomous province.

"Article 69e

"Organizations of associated labor which retain a portion of foreign exchange in the context of Article 69a, Paragraph 2, of this law are required to sell the amount of foreign exchange exceeding the portion so established to authorized banks for inclusion in the flows of the unified foreign exchange market.

"Authorized banks shall ensure maximum use and more rapid circulation of the available foreign exchange potential, and they are thus required to maintain their own liquidity in international payments within the limits prescribed by the National Bank of Yugoslavia and to sell foreign exchange which they possess beyond those limits at the interbank meeting of the unified foreign exchange market.

"The authorized banks shall channel their available foreign exchange potential as referred to in Paragraph 2 of this article in such manner that should there be a discrepancy in time between the actual inflow and outflow of foreign exchange of individual authorized banks, the authorized banks shall temporarily furnish the foreign exchange to meet the needs in reproduction of basic organizations of associated labor realizing an inflow of foreign exchange.

Article 37

Articles 70 and 71 shall be deleted.

Article 38

In Article 72, Paragraph 2, after the words "federal bodies and agencies" the words "and federal organizations" shall be added in both cases.

Article 39

Article 73 shall be deleted.

Article 40

In Article 74, Paragraph 1 shall be deleted.

In Paragraph 2 the words "self-management accord referred to in Article 69" shall be replaced by the words "uniform criteria referred to in Article 69a".

After Paragraph 2 a Paragraph 3 shall be added to read as follows:

"In a sale of foreign exchange as referred to in Paragraph 1 of this article organizations of associated labor may conclude a contract with authorized banks as to the schedule for the repurchase of foreign exchange to make

payments abroad within the limits of the volume established for their agreed needs in reproduction as referred to in Article 69a, Paragraph 2, of this law."

#### Article 41

In Article 77, Paragraph 1, the words "this law" shall be replaced by the words "this or other federal law".

After Paragraph 1 a new Paragraph 2 shall be added to read as follows:

"The prices of services rendered to foreign persons in Yugoslavia and to domestic persons in international transportation may be denominated in a foreign currency if an obligation to that effect has been assumed in an international convention, but collection shall be made exclusively in dinars."

The previous Paragraph 2 shall become Paragraph 3.

#### Article 42

Article 78 shall be amended to read as follows:

"The National Bank of Yugoslavia shall through the authorized banks transfer to organizations of associated labor which directly render services and which submit checks to it for collection issued by the National Bank of Yugoslavia the amount of foreign exchange which is the face value of the check submitted.

"Foreign means of payment purchased at currency exchange offices with effective dinars [that is, paper money and coin] shall be distributed every year in the act on joint foreign exchange policy.

"Foreign means of payment realized by selling tourists gasoline coupons within the country and by selling commercial coupons for gasoline and petroleum derivatives and on the basis of the sale of petroleum derivatives to foreign carriers shall be earmarked for use for payment for imported petroleum and petroleum derivatives from the account of the National Bank of Yugoslavia."

#### Article 43

In Article 79, Paragraph 1, the words "with an" shall be replaced by the words "with only one".

#### Article 44

In Article 80 a Paragraph 2 shall be added to read as follows:

"As an exception to Paragraph 1 of this article, the Federal Executive Council may prescribe that a portion of the foreign exchange realized by the Yugoslav People's Army by rendering services to foreign persons shall be used for payments to foreign countries to meet its own needs."

#### Article 45

In Article 81 a Paragraph 2 shall be added to read as follows:

"The provision of Paragraph 1 of this article shall not apply to foreign exchange which organizations of associated labor and other social juridical persons have realized and hold in a foreign exchange account with an authorized bank."

#### Article 46

In Article 83, Paragraph 3, the number "178" shall be replaced by the number "177".

#### Article 47

Article 57 shall be amended to read as follows:

"The Federal Executive Council shall prescribe the conditions under which individuals and civil juridical persons may:

"1) purchase coupons to pay for gasoline abroad;

"2) pay for services rendered them in international passenger transportation by foreign persons;

"3) pay domestic tourist agencies the costs of group and individual trips abroad."

#### Article 48

In Article 89, Paragraph 2, the words "and the conditions under which securities may be paid for in dinars" shall be added at the end.

#### Article 49

In Article 109, after Paragraph 1 a new Paragraph 2 shall be added to read as follows:

"The Federal Executive Council may set forth the conditions and manner of contracting for the export of goods and services to particular countries so that collection for the exports is made by importing goods and the rights based on exports realized in this manner."

The previous Paragraphs 2 through 4 shall become Paragraphs 3 through 5.

#### Article 50

In Article 111, Paragraph 1 shall be amended to read as follows:



"Basic and other organizations of associated labor and other social juridical persons shall select one authorized bank in which they shall keep foreign exchange in a foreign exchange account."

#### Article 51

In Article 113, after Paragraph 4 a new Paragraph 5 shall be added to read as follows:

"When collection is made in the context of Article 109, Paragraph 2, of this law, the National Bank of Yugoslavia may prescribe which date shall be taken as the date of collection and the date when the foreign exchange was brought into Yugoslavia."

The previous Paragraphs 5 and 6 shall become Paragraphs 6 and 7.

#### Article 52

In Article 121, after Paragraph 2 a Paragraph 3 shall be added to read as follows:

"Domestic persons shall not be assured rights on the basis referred to in Article 69a of this law for payments abroad for the amount of dinar claims of foreign persons for services rendered to domestic persons which on the basis of the regulation referred to in Paragraph 1 of this article they may not transfer abroad, but which are used only for certain payments in Yugoslavia."

#### Article 53

In Article 122, Paragraph 1, the words in the opening sentence "to meet their immediate needs on the basis of the self-management accord referred to in Article 69 of this law and the acts referred to in Articles 72 and 73 of this law" shall be replaced by the words "on the basis of the uniform criteria referred to in Article 69a and the acts referred to in Articles 69d and 72 of this law".

In Paragraph 1, Subparagraph 3, the number "69" shall be replaced by the number "69a" and the word "through" shall be replaced by the word "and".

In Paragraph 2, the words "in accordance with the self-management accord referred to in Article 69 of this law" shall be replaced by the words "on the basis of uniform criteria referred to in Article 69a of this law".

#### Article 54

In Article 127, Paragraph 2 shall be replaced by new Paragraphs 2, 3 and 4 to read as follows:

"Organizations of associated labor which are users of freight services are required at the moment when they realize the inflow of foreign exchange from exports of goods and services to transfer that foreign exchange in the amount of

the value of transportation services to the organizations of associated labor referred to in Paragraph 1 of this article.

"As an exception to the provisions of Paragraph 1 of this article, organizations of associated labor which are users of transportation services are required when importing goods and at the moment of paying for the imports to credit to organizations of associated labor which are carriers foreign exchange in the amount of the actual costs of transportation between the foreign points.

"The Federal Executive Council shall prescribe the conditions and manner of the transfer of foreign exchange realized under Paragraphs 2 and 3 of this article to those rendering services in international freight and passenger traffic and postal, telephone and telegraph service."

#### Article 55

Article 141 shall be amended to read as follows:

"Basic and other organizations of associated labor and other social juridical persons may borrow abroad or may extend credits abroad on the basis of uniform criteria on contracting indebtedness set forth by the Yugoslav Community in collaboration with the republics and provincial communities, with the consent of the Federal Executive Council.

"If the uniform criteria referred to in Paragraph 1 of this article are not set forth simultaneously with adoption of joint foreign exchange policy, the Federal Executive Council shall issue criteria within a further period of 15 days.

"Basic and other organizations of associated labor and other social juridical persons shall exercise the rights referred to in Paragraph 1 of this article to the certain level established by the credit-guaranty potential of the authorized banks within the limits of the amount envisaged by the projection of Yugoslavia's balance of payments and exchange balance in conformity with the established joint foreign exchange policy, particular consideration being made to the amount of indebtedness of individual entities, their ability to repay in foreign exchange existing and new credits, and the level of the country's indebtedness.

"The Federal Executive Council shall by the end of each year for the following year set forth in its act the level to which the authorized banks may conclude credit transactions with foreign countries and issue guaranties for credit transactions with foreign countries.

"Within the framework of the criteria set forth as referred to in Paragraph 1 and the volume of indebtedness referred to in Paragraph 3 of this article preference in borrowing abroad shall be given to organizations of associated labor which in their development contribute to achieving the goals set forth and proportions planned in social plans and Yugoslavia's balance of payments and exchange balance, in particular the augmentation of exports, optimum

import substitution, stabilization of the domestic market, and to meet the needs of faster development of the economically underdeveloped republics and the Socialist Autonomous Province of Kosovo."

#### Article 56

Article 142 shall be deleted.

#### Article 57

In Article 146, after Paragraph 2 a Paragraph 3 shall be added to read as follows:

"The domestic persons referred to in Paragraph 1 of this article may not take credits abroad, issue guaranties or other forms of surety abroad nor perform other acts which precede the conclusion of credit contracts which would create any sort of obligations for the Socialist Federal Republic of Yugoslavia in the domain of credit transactions with foreign countries except the obligations assumed in conformity with the provisions of this law."

#### Article 58

After Article 46 an Article 146a shall be added to read as follows:

##### "Article 146a

"Social juridical persons may make current international payments and establish new credit relations with foreign countries only after meeting obligations abroad which have come due.

"Authorized banks may not execute orders of social juridical persons for current payments abroad and may not issue guaranties to establish new credit relations unless such persons have discharged fixed and guaranteed obligations which have come due."

#### Article 59

In Article 147, the words "in the self-management accord referred to in Article 141 of this law" shall be replaced by the words "on the basis of Article 141 of this law".

#### Article 60

In Article 152, Paragraph 2 shall be deleted.

#### Article 61

In Article 55, Paragraph 3, after the words "the amount set" shall be added the words "on the basis of Article 141 of this law." and the rest of the text deleted to the end.

Paragraph 4 shall be amended to read as follows:

"The volume of short-term indebtedness to be used solely for overcoming seasonal discrepancies in the current inflow of foreign exchange and the outflow of banks and their customers (the bank's short-term credit line and acceptance of short-term deposits) shall be fixed by the Federal Executive Council on the recommendation of the National Bank of Yugoslavia."

#### Article 62

In Article 160, Paragraph 1, the words "Paragraphs 1 and 2." shall be replaced by the words "Paragraph 1."

#### Article 63

In Article 161, Paragraph 3 shall be deleted.

#### Article 64

In Article 167, Paragraph 2, the words "which shall state the purpose of the use of those credits" shall be added at the end of the first sentence.

#### Article 65

After Article 167 Article 167a through 167e shall be added to read as follows:

##### "Article 167a

"The National Bank of Yugoslavia may use the credits taken under Article 167 of this law for the following purposes:

"1) to replenish foreign exchange reserves,

"2) to repay fixed and guaranteed obligations under credits which it has taken and has used,

"3) for a temporary loan to an authorized bank.

##### "Article 167b

"The foreign exchange referred to in Article 167a, Subparagraph 3, of this law may be used at the request of an authorized bank to pay fixed and guaranteed obligations under long-term, medium-term and short-term foreign credits which have been taken by domestic persons under Article 146 of this law who are not realizing a sufficient inflow in convertible foreign exchange to meet the obligations which have come due.

"The authorized bank referred to in Paragraph 1 of this article is required to repay the temporary loan referred to in Article 167a, Subparagraph 3, of this law and to bear the costs incurred in the use of the temporary loan.

"Article 167c

"The National Bank of Yugoslavia shall conclude a contract with the bank referred to in Article 167a, Subparagraph 3, of this law which shall state the conditions and manner of repayment which the banks must meet and the documentation which they must append to the application for the temporary loan.

"Article 167d

"The Federal Executive Council shall issue decisions granting temporary loans to banks as referred to in Article 167a, Subparagraph 3, of this law on the basis of the recommendation of the National Bank of Yugoslavia.

"Article 167e

"If it does not live up to the contract referred to in Article 167c of this law, the National Bank of Yugoslavia shall cease all payments to the bank authorized to handle international transactions which is the user of the temporary loan until the obligations of that bank abroad have been discharged."

Article 66

In Article 172, Paragraph 1, after the word "abroad" shall be added the words "only if they prescribe that taking of credit in a law of decision enacted on the basis of law,".

Paragraph 3 shall be deleted.

Article 67

In Article 173, a Paragraph 3 shall be added after Paragraph 2 and shall read as follows:

"The republics and autonomous provinces may issue guaranties and superguaranties as referred to in Paragraph 1 of this article only if they have prescribed their issuance in law and furnish the funds necessary for that purpose."

Article 68

In Article 175, Paragraph 3, the words "only with prior consent of the National Bank of Yugoslavia furnished in writing" shall be added at the end.

Following Paragraph 6 a Paragraph 7 shall be added to read as follows:

"The National Bank of Yugoslavia shall prescribe the conditions and documentation necessary for the registration of credit transactions with foreign countries."

Article 69

Article 177 shall be amended to read as follows:



"If there is a sizable failure to fulfill the goals of joint foreign exchange policy and the proportions in the unified projection of Yugoslavia's balance of payments and exchange balance, if disturbances occur on the unified Yugoslav market, or if there are circumstances which might threaten achievement of the goals of the established policy governing foreign economic relations, the Federal Executive Council may prescribe the following:

"1) introduction of special measures and restrictions in current transactions, as follows:

"a) restriction of certain rights to pay for certain goods and services;

"b) the obligation to post dinar deposits in the value of certain goods and services being imported and for the use of foreign credits;

"2) introduction of special measures and restrictions in financial transactions;

"3) introduction of special dinar deposits;

"4) introduction of special fees on all payments being made to foreign countries;

"5) measures restricting the amount of foreign exchange which can be used for making payments abroad;

"6) measures prohibiting certain payments with foreign persons and the taking or granting of financial credits in relations with foreign countries;

"7) measures which prohibit the purchase and sale of certain currencies on the unified foreign exchange market;

"8) measures restricting the carrying in of dinars from abroad or the carrying out of dinars to foreign countries and measures restricting the carrying of foreign exchange out of the country;

"9) measures restricting other financial transactions with foreign countries.

"The Federal Executive Council shall notify the SFRY Assembly of measures taken pursuant to Paragraph 1 of this article within a period of 30 days from the date when they are taken."

Article 70

Articles 178 and 179 shall be deleted.

Article 71

In Article 180, Paragraphs 1 and 2, the words "Articles 178 and 179" shall be replaced by the words "Article 177".

#### Article 73

In Article 176, after Paragraph 2 a Paragraph 3 shall be added to read as follows:

"The authorization referred to in Paragraph 1 of this article may also be granted to the Postal Savings Banks within the limits of its business operation as set forth in federal law."

#### Article 74

In Article 209, after Paragraph 1 new Paragraphs 2 and 3 shall be added to read as follows:

"If a foreign exchange inspector--responsible individual in the National Bank of Yugoslavia, the national bank of the republic or the national bank of the autonomous province or in a social accounting service does not file charges in good time to institute proceedings because of the criminal act or economic offense committed, it shall be considered that he has committed a very serious breach of his work duties.

"The individual referred to in Paragraph 2 of this article who has committed a very serious breach of work duties may not perform the function of an inspector."

#### Article 75

In Article 215, Paragraph 1, two new subparagraphs shall be added in place of Subparagraph 1 and shall read as follows:

"1) if it does not keep in a foreign exchange account exclusively in one authorized bank the foreign exchange which it has realized and which it may dispose of in conformity with this law (Article 8);

"1a) if it contracts indebtedness abroad before an authorized bank has ascertained its ability to repay the credit in foreign exchange or in dinars or if the discharge of its obligation under the credit has not been covered by the credit-guaranty potential of an authorized bank (Article 27, Paragraph 3);".

The previous Subparagraph 1 shall become Subparagraph 1b.

Subparagraph 2 shall be deleted.

Subparagraph 4 shall be amended to read as follows:

"4) if it purchases or sells foreign exchange or makes a spot purchase or sale of foreign exchange to another such organization at a rate other than the rate set at the interbank meeting of the unified foreign exchange market (Articles 58 and 60);".

Subparagraph 5 shall be amended to read as follows:

"5) if it uses foreign exchange realized or acquired on the basis of its established contribution within the limits of the agreed needs in reproduction, including the needs referred to in Article 35 of this law, or transfers it for other than the prescribed purposes or contracts for its sale for the equivalent value in dinars or extends credit on the basis of pooled foreign exchange (Article 68);".

After Subparagraph 5 two new Subparagraphs 5a and 5b shall be added to read as follows:

"5a) if it does not sell the portion of foreign exchange exceeding the portion fixed in the context of Article 69a, Paragraph 1, of this law to an authorized bank for inclusion in the flows of the unified foreign exchange market (Article 69e, Paragraph 1);

"5b) if it does not maintain its own liquidity in international payments within the limits prescribed by the National Bank of Yugoslavia or does not sell at the interbank meeting of the unified foreign exchange market foreign exchange which it possesses over and above those limits (Article 69e, Paragraph 2);".

In Subparagraph 6 after the words "against a foreign currency" shall be added the words "unless this or other federal law provides otherwise (Articles 76 and 77);".

Subparagraph 7 shall be amended to read as follows:

"7) if it does not transfer foreign means of payment which it realizes in the country by selling tourists gasoline coupons or by selling commercial coupons for gasoline or petroleum derivatives or on the basis of the sale of petroleum derivatives to foreign carriers to the National Bank of Yugoslavia earmarked for payment of imports of petroleum or petroleum derivatives (Article 78, Paragraph 3);".

In Subparagraph 11 at the end of the text the number "109" shall be replaced in the parentheses by the words "109, Paragraphs 1, 3, 4 and 5".

After Subparagraph 11 a Subparagraph 11a shall be added to read as follows:

"11a) if it contracts to collect for goods or services exported to particular countries by importing goods or rights from those countries contrary to the conditions and procedure set forth by the Federal Executive Council (Article 109, Paragraph 2);".

In Subparagraph 14 the words "to a self-management accord" shall be replaced by the words "to the uniform criteria".

In Subparagraph 17, in the parentheses at the end, the number "127" shall be replaced by the words "127, Paragraph 1".

Following Subparagraph 17 a Subparagraph 17a shall be added to read as follows:

"17a) if as the user of freight transport services it does not transfer foreign exchange at the moment of realizing the inflow of foreign exchange from goods or services exported to the organization of associated labor which performed that shipment in the value of the shipment performed, or if in importing goods it does not at the moment of payment credit foreign exchange to the carrier in the amount of shipping costs incurred between the foreign points (Article 127, Paragraphs 2 and 3);".

Subparagraph 25 shall be amended as follows:

"25) if it contracts indebtedness abroad or extends credit abroad in evasion of the uniform criteria on borrowing set forth by the Yugoslav Community in cooperation with the republic and provincial communities and with the consent of the Federal Executive Council, or in evasion of the criteria issued by the Federal Executive Council (Article 141, Paragraphs 1 and 2; Article 147; and Article 155, Paragraphs 1, 2 and 3);".

After Subparagraph 25 a Subparagraph 25a shall be added to read as follows:

"25a) if it concludes a credit transaction with a foreign country or issues a guaranty for credit transactions with foreign countries above the level fixed for the current year by the Federal Executive Council or if it incurs short-term indebtedness used solely to bridge seasonal discrepancies in current inflow of foreign exchange and the outflow of the banks and their customers above the volume fixed by the Federal Executive Council (Article 141, Paragraph 4; and Article 155, Paragraph 4);".

In Subparagraph 29 after the words "foreign exchange" shall be added the words "or if it takes credit abroad or issues a guaranty or other forms of surety abroad or performs other acts preliminary to conclusion of a contract concerning credit which would create any obligations whatsoever for the Socialist Federal Republic of Yugoslavia in the domain of foreign credit relations, aside from the obligations assumed in conformity with this law".

Following Subparagraph 29 two Subparagraphs 29a and 29b shall be added to read as follows:

"29a) if it makes current international payments or establishes new foreign credit relations before discharging foreign obligations which have come due (Article 146a, Paragraph 1);

"29b) if it executes an order for current payments abroad or issues a guaranty to establish new credit relations abroad for a social juridical person who has not discharged fixed or guaranteed obligations which have come due (Article 146a, Paragraph 2);".

Subparagraph 32 shall be amended to read as follows:

"32) if it uses funds obtained on the basis of financial credit or on the basis of deposits from abroad for other than the purposes envisaged in Articles 152, 160 and 161 of this law;".

#### Article 76

In Article 216, the words "Subparagraph 1" shall be replaced by the words "Subparagraph 1b", and the number "5b" shall be inserted thereafter.

#### Article 77

So long as disturbances persist in the operation of the unified foreign exchange market the National Bank of Yugoslavia, depending on the status of foreign exchange reserves, shall intervene with resources from foreign exchange reserves at the interbank meeting of the unified foreign exchange market for the purpose of bridging the difference in time between the supply and demand on the unified foreign exchange market, under the conditions and within the periods of time fixed by the Federal Executive Council.

The National Bank of Yugoslavia shall report on a monthly basis to the SFRY Assembly and Federal Executive Council concerning interventions made on the unified foreign exchange market.

#### Article 78

Basic and other organizations of associated labor, authorized banks and other social juridical persons shall furnish funds for repayment of fixed and guaranteed obligations created before 31 December 1982 with the foreign exchange which they realize and acquire in conformity with Articles 67, 68, 69a and 69e of this law.

Basic and other organizations of associated labor and authorized banks shall be responsible for prompt discharge of obligations come due under foreign credits referred to in Paragraph 1 of this article.

Basic and other organizations of associated labor and authorized banks of which they are members are required in conformity with their respective obligations and responsibilities, before the end of November of the current year for the coming year, and exceptionally before 31 January for 1983, to compile programs for ensuring repayment of fixed and guaranteed obligations of their members created before 31 December 1982. The program shall state the manner and schedule for furnishing foreign exchange which the members of the bank objectively are unable to furnish either independently or by establishing mutual self-management ties, from the portion of foreign exchange which they dispose of in the context of Articles 67, 68, 69a and 69e of this law.

Authorized banks shall conclude agreements with one another regulating correction of discrepancies in the outflow and inflow of foreign exchange, the conditions and procedure for mutual loans in order to ensure discharge of obligations of their members to foreign countries which have come due.

The agreement among the authorized banks, which is to be concluded before 31 January 1983, shall regulate the sources and timing of the furnishing of funds to discharge fixed and guaranteed obligations which basic and other organizations of associated labor and individual authorized banks have been



unable to furnish in the context of Paragraphs 1 through 4 of this article, as well as the criteria governing the use of that foreign exchange.

The criteria referred to in Paragraph 5 of this article shall state that foreign exchange may be furnished to a basic or other organization of associated labor to pay fixed and guaranteed obligations only provided that it has made use of every available opportunity to pay the fixed and guaranteed obligations.

The agreement of the republics and autonomous provinces which is to be concluded before 31 January for each current year, if the agreement referred to in Paragraph 5 of this article does not guarantee full discharge of fixed and guaranteed obligations, shall set forth the conditions and criteria on the basis of which the republics and autonomous provinces shall regulate the sources of foreign exchange to repay that portion of fixed and guaranteed obligations as referred to in Paragraph 1 of this article which could not be guaranteed under the criteria referred to in Paragraph 5 of this article.

If the agreement referred to in Paragraph 7 of this article is not concluded before 31 January for each current year, the Federal Executive Council shall adopt an enactment whereby it regulates sources of foreign exchange to discharge that portion of fixed and guaranteed obligations for which it was not possible to furnish foreign exchange in the manner set forth in Paragraphs 1 through 7 of this article and also the criteria governing its use, on which it shall report to the SFRY Assembly within a period of 15 days from the date when that enactment was adopted.

#### Article 79

The self-management accord among the authorized banks which is to be concluded before 31 January 1983 shall regulate the sources and manner of repayment of foreign exchange to authorized banks which out of their total foreign exchange potential have paid fixed and guaranteed obligations for organizations of associated labor and other social juridical persons in the period from termination of the operation of the foreign exchange market up to 31 December 1982 and which at the moment when the fixed and guaranteed obligations were paid did not have foreign exchange accounts in those banks.

#### Article 80

For the first quarter of 1983, before issuance of the uniform criteria referred to in Article 69a of this law, the Federal Executive Council shall prescribe the sources and schedule of the setting aside of foreign exchange for the importation of petroleum, petroleum derivatives, coking coal and goods especially important to supply of the public, it being further provided that the allocations for those purposes may not exceed the amount paid to import petroleum in the last quarter of 1982.

The Federal Executive Council shall adopt the regulation referred to in Paragraph 1 of this article no later than 5 days following the date when this law takes effect.

#### Article 81

A portion of the inflow of foreign exchange in 1983 amounting to 3 percent shall be set aside to replenish Yugoslavia's foreign exchange reserves administered by the National Bank of Yugoslavia.

The actual inflow of foreign exchange in 1983 shall constitute the base for setting aside the foreign exchange referred to in Paragraph 1 of this article.

Foreign exchange shall also be set aside out of net inflow of foreign exchange realized on the following basis:

- i. compensation deals,
- ii. cooperation,
- iii. local border traffic.

The National Bank of Yugoslavia shall issue an instruction on the manner in which the portion of foreign exchange shall be set aside for the needs stated in Paragraph 1 of this article.

#### Article 82

The National Bank of Yugoslavia shall monitor the way in which the authorized banks discharge fixed and guaranteed obligations under foreign credits and shall report monthly on this to the Federal Executive Council and quarterly to the SFRY Assembly.

#### Article 83

The Yugoslav Community of Interest shall in its bylaws set forth the manner in which cooperation shall be carried on with organizations of associated labor which have ties pertaining to their operation, production and income in the production for export and in forms of linkage and organization which they themselves establish within a period of 6 months from the date when this law takes effect.

#### Article 84

Organizations of associated labor and other social juridical persons are required to transfer foreign exchange from foreign exchange accounts in authorized banks to a foreign exchange bank in one authorized bank within a period of 6 months from the date when this law takes effect.

The Federal Executive Council shall regulate relations of the authorized banks in connection with performance of Paragraph 1 of this article on the recommendation of the Association of Yugoslav Banks.

#### Article 85

The Yugoslav Community of Interest shall set forth uniform criteria on borrowing for 1983 within a period of 15 days from the date when this law takes effect.

#### Article 86

The uniform criteria referred to in Article 69a of this law shall be set forth for 1983 before 25 January 1983.

If the uniform criteria referred to in Paragraph 1 of this article are not set forth within the period stated in that paragraph, the Federal Executive Council shall adopt uniform criteria before 31 January 1983.

#### Article 87

Basic and other organizations of associated labor and other social juridical persons are required to bring self-management accords which are in effect concerning the pooling of foreign exchange or concerning the pooling of labor and capital with a view to realizing foreign exchange which they have concluded on the basis of Articles 67 and 68 of the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries in conformity with the provisions of this law no later than 30 April 1983.

#### Article 88

In Article 9; Article 46, Paragraph 1; Article 48, Paragraph 2; Articles 50 and 53; Article 55, Paragraphs 1 and 3; Article 74, Paragraph 2; Article 79, Paragraph 1; Article 111, Paragraph 2; and Articles 191 and 192, the word "unified" shall be inserted in front of the words "foreign exchange market."

#### Article 89

The Legislative and Legal Commission of the Chamber of Republics and Provinces of the SFRY Assembly is hereby authorized to establish the emended text of the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries.

#### Article 90

This law shall take effect on 1 January 1983.

7045

CSO: 2800/266

## SERBIAN PLANS FOR SMALL-SCALE ECONOMY

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 13 Apr 83 p 10

[Article by V.S.]

[Text] Conditions are improving for the development of small business. Greater cooperation is being achieved with the large production organizations.

The Presidium of the Serbian Economic Chamber recently ratified a project for the establishment of a trade association for the promotion and development of small-scale business in Serbia proper. Beginning with the role and significance of small business and its place in the economy of the republic, a number of interested organizations of associated labor, through Chamber's Small Business Association, initiated the establishment of this cooperative office, which will first be involved in the development of small business through development of cooperation and other forms of commercial exchange with larger organizations from the sectors of production and trade. The initiative was particularly supported by a number of rather large organizations such as "EI" [Electrical Industries] of Nis and "Crvena Zastava" [Red Banner Auto Plants] that find increasing benefit in cooperation with small-scale businesses.

Scientific research organizations and the Yugoslav Institute for Productivity and Information Systems also showed an interest in establishing such a cooperative, which, based on the social orientation and nature of its operations, is endeavoring through improved organization and advancement of all public forms of labor and resources to contribute to laying the groundwork for boosting labor productivity and in that sense it is one of the founders of this association. Specifically, it composed the text of the Draft Public Agreement on Association into an operational association for the promotion and development, in Serbia, of small-scale business, and also prepared a report on the socioeconomic justification of this project.

### Ties Between Cooperative Partners

The basic goals of the association's work program will be directed toward the improvement of the production capacities of small businesses from the standpoint of promoting industrial production and trade, as well as to resolve questions of specialization, labor distribution and exempting large producers from small and unprofitable series of products, increased labor productivity

and operational effectiveness. Efforts will also be directed at supplementing the product mix offered by large producers. Substitution of imports of parts, assemblies and sub-assemblies and the attainment of high export levels will also be some of the association's main priorities. Of equal importance will be the establishment of facilities for processing secondary raw materials.

Such important tasks call for cooperation among major production organizations of associated labor that should become the basic promoters of development of the production sector of small-scale businesses. Cooperation in the preparation of plans and programs of labor and advancement of major production work collectives can also assure the preparation of a development program of cooperating facilities in the small-scale sector. This is necessary in the automobile, metals and electronic industries, where small-scale production organizations could contribute significantly to freeing major producers from small, inefficient production series and to supporting substitutions of imported semi-manufactured products and parts.

Cooperation with major production organizations of associated labor in the organization and implementation of cooperative relationships and utilization of foreign experience adapted to Yugoslav conditions can make a significant contribution to the development of small-scale operations. There would be efforts to merge a large number of small cooperating units that would in turn be linked to a large production organization.

#### Import Substitution

A special "marketing service" would collect and distribute information on needs for including small businesses in production programs of large industrial organizations, on products and services that could be handled by small businesses, on possibilities for more lasting bonds between small business production and trade through profit pooling and other means and on possibilities for marketing goods and services of small businesses in foreign markets and long-term cooperation based on long-range marketing policy geared toward export sales.

Analyses show that the largest part of imported consumer goods are textiles, leather, metals, wood plastics, small wooded rods, bast, reeds, ceramics, gold and silver and other materials that have been acquired in the past 10 years, which come largely from small business production of West European countries, Japan and Hong Kong. Cooperation with large commercial organizations of associated labor for the sake of contributions by small businesses to import substitutions in a wide range of consumer goods whose import has been greatly reduced due to balance of payments problems, or even completely halted, can have a significant impact on reducing imports. The structure of this type of consumer goods imports show that small-volume production, wide variety, quality and modern design, which are typical for small-scale production, can be successfully organized in small-scale production collectives in Yugoslavia as well.



## BORDER-AREA TRADE WITH ITALY, HUNGARY, AUSTRIA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 13 Apr 83 p 3

[Article by J. Grubic]

[Text] Last year trade with Italy totaled 375.6 billion lira, with 117.6 billion or 31.4 percent going to Croatia. The approved products lists should be coordinated more rapidly to the needs and capabilities of interested economic units.

Within the framework of good-neighbor relations and bilateral cooperation with neighboring countries, special attention should be directed toward the promotion of border trade, as a special type that is significant both for the economic development of Yugoslavia's border areas and for Yugoslav economic cooperation with foreign countries in general. This is even more the case since border trade is given certain privileges that are not extended to third countries, since such trade generally is conducted in a balanced manner, based on rights granted for exports of special product lists, so that along with these privileges exemptions on imports are granted and duty is waived, except when a matter of goods on receiving import programs is involved. Thus organizations of associated labor in Croatia and Slovenia have relatively well developed border trade with Italy and Hungary, but their participation in fair compensated transactions with those two neighboring countries and with Austria are showing noticeable results.

## Trade With Italy Increased by 50 Percent

Border trade with Italy is being promoted on the basis of the Agreement on Local Trade between border zones at Trieste, on the one side, and Buja, Koper, Sezana and Nova Gorica, on the other, as well as on the basis of the agreement of the same name for Boricja-Viden and Sezana-Nova Gorica-Tolmin (the Gorizia agreement).

Signed 28 years ago, these two agreements form an entity, for they encompass the entire border zone between Yugoslavia and Italy. The value of goods exchanged by product lists for Italy on the basis of the Trieste agreement amounted to 11 billion lira, while the Gorizia agreement was for 5.7 billion lira in each direction, but in practical terms much higher values are traded. Within the framework of the Trieste agreement, duty-free lists have also been agreed to for Yugoslav and Italian exports; these provisions have been applied since 1981.

Last year total trade under these agreements amounted to 375.6 billion lira, of which 117.6 billion went to Croatia, or 31.4 percent, while the remainder went to Slovenia. The border trade between Croatia and Italy had increased by 56 percent with exports worth 59.6 billion (increased by 55.6 percent) and imports of 58 billion lira. The nine registered importers in Croatia on Italian markets sold beef cattle and beef, horses, wood and lumber, metal products, automobile tires and parts and chemicals. The transformation of the export structure has favored the chemical industry, auto tires and parts, as well as other industrial products, while "harming" foods and wood products.

Among imports, important products include chemicals, synthetic resins, processed foods, metals, products of animal origin, textile raw materials and ready-made clothing. Fully 94.8 percent of total imports were semimanufactured goods, with only 4.9 percent consumer goods and 0.2 percent equipment. Duty-free Italian imports included (covering more than 90 percent of the approved list) veal, horses, fish, milk, fruits, vegetables and wine. Thus products that are ordinarily subject to protective measures in European Common Market agricultural policy are predominant, while the contracted value of the list of duty-free Yugoslav imports, primarily consumer goods, has been implemented to a very slight degree, indicating the need for revision of the list. That is actually the only method to reduce Yugoslavia's perennially high demand imbalance, for it can only be eliminated by increased Yugoslav imports.

#### Bilateral Interest for Increased Cooperation with Hungary

Border trade with Hungary has been developing according to provisions of the 1977 Agreement. Specifically, trade in goods includes joint investments, long-term production cooperation and supplementary transactions in border regions, including fairs increased from year to year, reaching 58 million dollars last year. The largest part has been achieved by organizations of associated labor in Croatia, accounting for 80 percent, followed by Vojvodina and Slovenia. The main contributors have been agricultural food processors, textiles, metals, cement, etc. Since only two Hungarian organizations are authorized to conduct such trade (compared to six in Croatia), economic cooperation, especially of higher forms, has no breadth that would facilitate agreements, although there is bilateral interest for advancing economic interests in processing (of juices), providing services (such as refrigeration) and joint entry into third markets.

With both Italy and Hungary, a special form of transaction is found in fair compensation agreements that are concluded by the economic chambers of republics and provinces, with suitable partners, and are carried out within the framework of value guidelines established each year by the Federal Executive Council, with export and import lists established by appropriate federal secretariats based on the opinions of the Yugoslav Economic Chamber, and on proposals from republic or province chambers.

With Italy, such agreements are connected to the "Alpa-Adria" Fair in Ljubljana and fairs in Budva and Bari. The first is for 8.7 billion lira, while the others are for 6.5 billion in each direction while considering the 18-month

time period for implementing such agreements represents only a small share of total trade with Italy, about one percent. Yet the significance of fair compensation is in connecting and bringing together the economies of the two neighboring countries, and for that reason it is justified completely. With Hungary, compensation operations are contracted for fairs at Osijek and Percuj, with a value last year of 1.5 million dollars in both directions.

#### No International Agreement Exists with Austria

Bilateral cooperation in border regions with Austria have been regulated by a special agreement since 1967, which in contrast to the agreements with Italy and Hungary, do not have an interstate character, so that the responsible mixed commissions do nothing besides monitoring that in any case unbene-  
ficial cooperation and do nothing outside the realm of determining total volume of trade. That act was supplemented 8 years later, but even then, nothing was taken away from the border regions with Italy. In the meantime, that agreement gave rise to the Agreement on Transfer of Goods to Border Trade, which regulates exemptions for individuals.

Fair compensation agreements with Austria relate to Yugoslav participation in fairs at Graz, Klagenfurt, Innsbruck, Eisenstadt and Vienna, as well as to Austrian entry into the "Alpa-Adria" fair in Ljubljana. Last year the value of fair compensation was 415.2 million Austrian schillings in each direction (not counting transactions at the Vienna Fair), with organizations of associated labor in Croatia accounting for 199.3 million schillings in both directions (the remainder went to organizations from Slovenia, Bosnia and Hercegovina, Serbia, Macedonia and Vojvodina). This year the Federal Executive Council has been asked to increase the total value by 20 percent, which means the Croatia would be allocated compensation transactions worth 247.3 million schillings.

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## NEED TO INTEGRATE ELECTRIC POWER INDUSTRY

Belgrade BORBA in Serbo-Croatian 11 Apr 83 p 4

[Interview with Dr Milan Duric, Scientific Advisor at the Institute of Economic Sciences: "The Rivers Flow in Vain; date and place not specified]

[Text] Just as in a misconnected electric circuit there will, by the laws of physics, inevitably be a short circuit, thus in our electric power industry, because of misguided developmental policies and a rather long series of illogical actions, we must reckon with shortages and forced cut-offs. And while our electric power industries, like the most devout believers, lift their eyes unto the heavens, awaiting the heavier spring rains and warmer weather, in some areas of the country a large part of our industry stands idle because of a shortage of electric power, while the Macedonia assembly is directing an appeal to all the republics and provinces to at least partially alleviate the energy problem in the south by joint economizing. When all the facts are taken together, logic shows that our electric power industry is unusually reminiscent of a man who has, quite intentionally, driven a thorn into his healthy foot, which is terribly painful, and now can hardly wait to extract this same thorn so that he can feel the satisfaction of having a healthy foot.

### Good Intentions--Bad Results

The story of electricity in our country has been repeating itself cyclically for many years. There has hardly been a single year without forced cut-offs. We discussed the reasons for this with Dr Milan Duric, long-time head of JUGEL [Yugoslav Electric Power Industry Association] for the economy of our electric power industry, a man who has devoted much of his working life to the management of rational construction of electric power plants and is now scientific advisor at the Institute of Economic Sciences in Belgrade.

[Question] For many years now, in response to questions from the public why things are like this, the electric power industry has replied with the laconical remark that their and our fate depends on the heavens. And everything reduces to the logic: "If it rains, there'll be bread." Why is this so?

[Answer] Considering all the objective facts, from natural conditions to the amount of funds which we have invested in electric power plants, a person is sure to be embittered. We do not have the experience of the developed and industrially advanced countries in this area. As regards the power supply, we set ourselves two improbable goals: we wanted to satisfy our demands with a low level of investment in new power plants and at the same time to attain the lowest possible production costs. We constructed an integrated unified power transmission system and all went according to plan until 1965. We were constructing plants according to plan and priorities and always taking care to build these plants where they would produce the maximum power.

#### Integration Within Limits

But in 1965 it was decided to decentralize Yugoslavia's economically and technically integrated electric power industry, which we had been constructing up till then with such great efforts. The passing of a new Law on Electric Power Organizations was justified on the grounds that this was being done in order that the electric power industry might be reintegrated on a self-managing basis and that we should initiate here a process of self-managing organization on the principles of associating labor and funds. The intentions of such organization were of course good but the results are such that the Yugoslav electric power system is today objectively in no position to accomplish even one of the goals which initiated the formation of the great technical systems. Practically no one wants to bear the responsibility for this situation, but the results will be borne equally by associated labor in the electric power system and outside of it.

[Question] Why hasn't this planned association of labor and funds on a self-managing basis been realized at a national level?

[Answer] The result of this 1965 division is that we have eight autarchic, economically closed electric power systems. The association of labor and funds has gone only as far as the limits of the republic and province borders. The issue of how to solve economic relations on the principles of joint revenue and income has remained unresolved to the present day. For just this reason not one report of the Federal Executive Council or the Assembly of Yugoslavia on the Yugoslav electric power industry has been complete. These reports are based not on Yugoslav but on regional estimates and needs. But when we speak of solving the problem in one federal unit and when we try to find a solution through associating labor and funds with another republic or province, no one can reach an agreement because diametrically opposed demands and interests are involved. The areas experiencing a shortage seek the lowest investment and prices and are not interested in income; they will realize this income on their own territory by selling this power. The other side, however, wants in this way to realize the maximum profit.

[Question] Is this the reason why the boundary rivers of our republics and provinces are least utilized, despite the fact that they are ideal for building hydroelectric power plants? How true is the claim that we found it easier to come to an agreement with Romania on the construction of



"Derdap II" than do two republics on the question of building a plant, for example on the Drina? Do you know why the Velika Dubravica hydroelectric power plant has not been constructed on the Drina, although it has been in the planning stage since 1967?

[Answer] It is true that the, let us call them, boundary rivers and lakes between the republics and provinces have been the least utilized, to the detriment of Yugoslavia's energy interests. Usually in such cases one side insists that a hydroelectric power plant be its sole property, and the other side then seeks a second, worse and less profitable alternative. It is true that we had less trouble reaching an agreement with Romania than was the case in attempts at agreement between our republics and provinces.

As regards the Velika Dubravica plant, which was to have produced 1.5 billion kilowatt hours because of its excellent accumulation, Bosnia and Hercegovina and Serbia could not reach an agreement and the two republics each found their own much more expensive and less profitable solutions. Serbia built the Bajina Basta "reversible" power plant, which is unprofitable considering today's energy situation, and Bosnia Hercegovina built a plant on the Neretva.

Next we have the misunderstanding over building the But-Bijela hydroelectric power plant at the mouth of the Piva and Tara Rivers near Foca. An investment plan was drawn up for this plant and experts of the international Bank for Reconstruction and Development evaluated it as excellent. But what good is that when Montenegro demanded that it receive one-third of the power and Bosnia-Hercegovina considered that it had the right to all the power. The net result was that a great deal of money was spent on this project, which was, unfortunately, never realized. If these two plants alone had been built we would not today have these problems with electricity. It appears from all this that individual interests were more important.

#### Sufficient But Wrong Investments

[Question] Does this mean that we haven't invested enough in our electric power industry in recent years?

[Answer] On the contrary. I am of the opinion that we have invested quite enough but done this wrongly. The example of the electric power crisis coincides exceptionally well with the crisis of our economy. The causes of our crises are of an economic nature. We are dealing not with excess investment but, on the contrary, with wrong investment. For example, we constructed the Negotino, Sisak and Rijeka power plants, all of which burn expensive liquid fuel. Then we built the Oslomej plant near Kicevo, which burns coal. There are more examples like this, and I will not list them all. If we had built all these electric power plants with joint funds in coal basins, we would today have 50 percent more energy. In other words, these investments were completely adequate but unfortunately wrong. But this is not the end of our irrationality. In some regions

coal mines are being opened with a view to build new thermal electric power plants. No one will consider or even discuss rationally the fact that it would be more profitable to build these plants at already existing coal mines.

[Question] Isn't JUGEL a place where these important agreements could somehow be reached?

[Answer] JUGEL is in charge of the technical, technological, and economic affairs of the Yugoslav electric power industry but has no authority to bring about specific agreements. It is in fact a debating club for convenient chatting.

[Question] When the "Krsko" nuclear power plant was being constructed, scientists announced that we were on the verge of definitively solving our electric power headache. (Can you comment on this?)

[Answer] That is a colorful lie for our empty pockets. In building such plants we would become still more dependent on the developed countries for technology and raw materials. The experts could have told us the following: our yearly hydroelectric power output is about 66 billion kilowatt hours, and our coal reserves are estimated at about 22 billion tons. This would guarantee us enough electric power for at least 50 years. This means that we should develop our power industry based on our own raw materials and in the meantime, using this breathing space, we could seek other solutions as well.

In other words, we must return to basic economic laws and, by forming a unified electric power system, build not republic-level but Yugoslav plants in places where specific investments give the best results while the existing transmission network lets us share a restriction equally among all regions of the country. We must integrate Yugoslavia's disunited electric power industry both economically and technically. Otherwise we will in future continue to look anxiously into the heavens. This means that we must unite what we have divided.

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